THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yue Da Mining Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or licensed securities dealer or registered institution in securities or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is addressed to the shareholders of the Company in connection with an extraordinary general meeting of the Company to be held on 9 February 2012. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

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)

(1) PROPOSED OPEN OFFER OF NOT LESS THAN 228,922,969 OFFER SHARES AND NOT MORE THAN 234,320,201 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE; (2) APPLICATION OF WHITEWASH WAIVER; AND (3) NOTICE OF EGM

Joint independent financial advisers

to the Independent Board Committee and the Independent Shareholders

ATHENS CAPITAL LIMITED

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Capital Limited

Underwriter to the Open Offer

Yue Da Group (H.K.) Co. Limited

A letter from the board of directors of the Company is set out on pages 6 to 29 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders to the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver is set out on pages 30 to 31 of this circular.

Letter from Athens Capital Limited and Guotai Junan Capital Limited, the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders, containing its advice in connection with the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver as detailed in this circular is set out on pages 32 to 53 of this circular.

It should be noted that the last day of dealings in Shares on a cum-entitlement basis is 10 February 2012.

To qualify for the Open Offer, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be 21 February 2012. In order to be registered as a member of the Company on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged to Hong Kong Registrars Limited, for registration by 4:30 p.m. on 14 February 2012.

A notice convening the EGM to be held at Office Nos. 3321–3323 & 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong at 10:00 a.m. on 9 February 2012 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" under the sub-section headed "Underwriting Agreement" in the "Letter from the Board" section of this circular.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

19 January 2012

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The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled and/or waived (where appropriate).

Dates or deadlines specified in this circular for events in the timetable below are indicative only and may be extended or varied. Any consequential changes to the anticipated timetable will be announced as and when appropriate. (Note)

	2012
Latest time for lodging forms of proxy for the purpose of the EGM	10:00 a.m. on Tuesday, 7 February 2012
EGM	10:00 a.m. on Thursday, 9 February 2012
Announcement of results of the EGM	Thursday, 9 February 2012
Last day of dealings in Shares on cum-entitlement basis	Friday, 10 February 2012
First day of dealing in Shares on ex-entitlement basis	Monday, 13 February 2012
Latest time for lodging transfers of Shares in order to qualify for the Open Offer	4:30 p.m. on Tuesday, 14 February 2012
Register of members of the Company closes (both days inclusive)	Wednesday, 15 February 2012 to Tuesday, 21 February 2012
Record Date	Tuesday, 21 February 2012
Despatch of the Prospectus Documents	Wednesday, 22 February 2012
Latest time for acceptance of and payment for Offer Shares and application for excess Offer Shares	4:00 p.m. on Wednesday, 7 March 2012
Latest time for the Open Offer to become unconditional	4:00 p.m. on Friday, 9 March 2012
Announcement of results of acceptance of the Open Offer	Thursday, 15 March 2012
Despatch of certificates for Offer Shares and refund cheques for unsuccessful excess application	On or before Friday, 16 March 2012
Commencement of dealings in Offer Shares	Tuesday, 20 March 2012

Note: Unless otherwise specified, all times and dates refer to Hong Kong local time.

The above timetable is subject to change. If there are changes to the above timetable, the Company will publish an announcement as soon as practicable.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place if there is tropical cyclone warning signal number 8 or above or "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the latest date for acceptance of and payment for the Offer Shares. Instead, the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of and payment for the Offer Shares. Instead, the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place on the expected latest date for acceptance of and payment for the Offer Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Announcement"	the announcement of the Company dated 15 December 2011 in relation to, among other things, the Underwriting Agreement, the Open Offer and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Athens Capital"	Athens Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under SFO, one of the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Yue Da Mining Holdings Limited 悅達礦業控股有限公司, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"concert parties" or "parties acting in concert"	in respect of a person, means parties acting in concert (within the "parties acting in concert" meaning of the Takeovers Code)
"Director(s)"	the director(s) of the Company

"Director's Undertaking" or "Directors' Undertakings"	the undertaking given by each of Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being Directors) to the Company that he will not exercise his respective Outstanding Options before completion of the Open Offer, further details of which are set out in the paragraph headed "Letter from the Board — Whitewash Waiver" in this circular
"EGM"	the extraordinary general meeting of the Company to be convened and to be held on 9 February 2012 to consider and, if thought fit, approve the Open Offer and the Whitewash Waiver (or any adjournment thereof)
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Group"	the Company and its subsidiaries from time to time
"Guotai Junan"	Guotai Junan Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under SFO, one of the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board (comprising Ms Leung Mei Han, Mr Cui Shu Ming, Mr Han Run Sheng and Dr Liu Yongping, all being independent non-executive Directors who have no direct or indirect interest in the Underwriting Agreement, the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder) constituted to advise the Independent Shareholders on the Underwriting Agreement, the Open Offer and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) YDHK (being a controlling Shareholder as at the date of this circular) and its associates and the parties acting in concert with it and its associates and (ii) any Shareholders who are involved or interested in the Underwriting Agreement or the Open Offer or the Whitewash Waiver or the transactions contemplated thereby

"Jiangsu YD"	Jiangsu Yue Da Group Company Limited, the sole shareholder of YDHK and a State-owned enterprise established in the PRC which its direct supervisory body is 中國江蘇省鹽城市人民政府 (the People's Government of Yancheng City, Jiangsu Province, the PRC*)
"Joint IFAs"	Athens Capital and Guotai Junan
"Last Trading Day"	15 December 2011, being the last Stock Exchange trading day in the Shares pending the release of the Announcement
"Latest Acceptance Time"	4:00 p.m. on 7 March 2012 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Offer Shares
"Latest Practicable Date"	17 January 2012, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Latest Time for Termination"	4:00 p.m. on the second Business Day after the Latest Acceptance Time, being the latest time by which the Underwriter may terminate the Underwriting Agreement
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-Qualifying Shareholders"	Overseas Shareholders to whom the Board (based on legal opinions provided by legal advisers if the Board considers it necessary) considers it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Offer Shares"	not less than 228,922,969 new Shares and (i) not more than 234,320,201 new Shares (according to the Underwriting Agreement) and (ii) 233,352,381 new Shares (having regarded to the Directors' Undertakings) to be issued by the Company pursuant to the Open Offer
"Open Offer"	the proposed issue of Offer Shares by the Company on the basis of one Offer Share for every three existing Shares to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions of the issue

"Outstanding Options"	the outstanding options granted by the Company to subscribe for an aggregate of 16,191,696 Shares as at the Latest Practicable Date pursuant to the Share Option Scheme
"Overseas Shareholder(s)"	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
"PRC"	the People's Republic of China, excluding, for the purpose of this circular only and unless the content otherwise requires, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus to be issued by the Company in relation to the Open Offer
"Prospectus Documents"	the Prospectus, provisional allotment letter and excess application form
"Qualifying Shareholders"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
"Record Date"	21 February 2012 or such later date as may be agreed between the Company and the Underwriter
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	the ordinary share(s) with par value of HK$0.10 each in the capital of the Company
"Share Options"	the options granted by the Company to subscribe for up to an aggregate of 16,191,696 Shares pursuant to the Share Option Scheme, which are outstanding as at the date of this circular
"Share Option Scheme"	the share option scheme adopted by the Company on 9 June 2011 as amended from time to time
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.5 per Offer Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Underwriting Agreement"	the underwriting agreement dated 15 December 2011 and entered into between the Company and the Underwriter in relation to the Open Offer
"Underwritten Shares"	all the Offer Shares (after deducting therefrom the 84,005,333 Offer Shares agreed to be taken up by YDHK under the Underwriting Agreement), being not less than 144,917,636 Offer Shares and (i) not more than 150,314,868 Offer Shares (according to the Underwriting Agreement) and (ii) not more than 149,347,048 Offer Shares having regarded to the Directors' Undertakings
"Whitewash Waiver"	a waiver from the Executive pursuant to note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of YDHK and parties acting in concert with it to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by YDHK or parties acting in concert with it which would otherwise arise as a result of YDHK subscribing for the Offer Shares
"YDHK" or "Underwriter"	Yue Da Group (H.K.) Co., Limited, a controlling Shareholder of the Company as at the date of this circular
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.815 to HK$1.0.

* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

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)

Executive Directors:
Dong Li Yong
Liu Xiaoguang
Hu Huaimin

Non-executive Directors:
Chen Yunhua
Qi Guang Ya

Independent non-executive Directors:
Leung Mei Han
Cui Shu Ming
Han Run Sheng
Liu Yongping

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Office Nos. 3321–3323 &3325
33/F, China Merchants Tower,
Shun Tak Centre,
No. 168–200 Connaught Road Central,
Hong Kong

19 January 2012

To the Shareholders

Dear Sir/Madam,

(1) PROPOSED OPEN OFFER OF NOT LESS THAN 228,922,969 OFFER SHARES AND NOT MORE THAN 234,320,201 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE; (2) APPLICATION OF WHITEWASH WAIVER; AND (3) NOTICE OF EGM

INTRODUCTION

On 15 December 2011, the Board announced that the Company proposed to raise funds in the range of about HK$114 million to HK$117 million (before expenses) by issuing not less than 228,922,969 Offer Shares and not more than 234,320,201 Offer Shares at the Subscription Price of HK$0.5 per Offer Share on the basis of one Offer Share for every three existing Shares in issue on the Record Date.

The Open Offer will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. According to the Underwriting Agreement, the Underwriter has agreed to underwrite a minimum number of 144,917,636 Offer Shares (assuming none of the Share Options are exercised on the Record Date) and a maximum number of 150,314,868 Offer Shares (assuming all the Share Options are exercised on the Record Date). Having regarded to the Directors' Undertakings, the maximum number of Offer Shares to be underwritten by the Underwriter will be 149,347,048 Offer Shares (assuming all the Share Options are exercised on the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings).

The Open Offer is conditional upon, inter alia, the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Open Offer" under the sub-section headed "Underwriting Agreement" below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed "Termination of the Underwriting Agreement" under the sub-section headed "Underwriting Agreement" below). If the Underwriting Agreement is terminated, or the conditions of the Open Offer are not fulfilled or waived, the Open Offer will not proceed.

As stated in the Announcement, the Underwriter would apply to the Executive for the Whitewash Waiver in connection with its underwriting commitment under the Open Offer.

The Independent Board Committee has been established to advise the Independent Shareholders as to the Open Offer on whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, whether the terms of the Underwriting Agreement, the Open Offer and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Joint IFAs.

The Independent Board Committee comprises Ms Leung Mei Han, Mr Cui Shu Ming, Mr Han Run Sheng and Dr Liu Yongping, all being independent non-executive Directors who have no direct or indirect interest in the Underwriting Agreement, the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder. The non-executive Directors of the Company (namely, Mr Chen Yunhua and Mr Qi Guang Ya) are deemed to be parties acting in concert with YDHK in view of their positions in YDHK and/or Jiangsu YD and accordingly they are not appointed as members of the Independent Board Committee.

Athens Capital and Guotai Junan have been appointed by the Independent Board Committee to act as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders on whether the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

The purpose of this circular is to give you further information on, among other things, details of the proposed Open Offer, the Underwriting Agreement and the Whitewash Waiver and to give you notice of the EGM.

This circular also contains the recommendation of the Independent Board Committee and the advice of the Joint IFAs in respect of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every three existing Shares held on the Record Date and payable in full upon application
Number of Shares in issue as at the Latest Practicable Date	:	686,768,907 Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date	:	Outstanding Share Options attaching thereto subscription right to subscribe for 16,191,696 Shares
Number of Offer Shares	:	Not less than 228,922,969 Offer Shares and not more than 233,352,381 Offer Shares (having regarded to the Directors' Undertakings) The aggregate nominal value of the total Offer Shares will not be less than HK$22,892,296.9 and not more than HK$23,335,238.1 (having regarded to the Directors' Undertakings)
Subscription Price	:	HK$0.5 per Offer Share The net Subscription Price for each Offer Share is approximately HK$0.47
Minimum number of Shares in issue as enlarged upon completion of the Open Offer (assuming that none of the Share Options is exercised on or before the Record Date)	:	915,691,876 Shares

Maximum number of Shares in issue as enlarged upon completion of the Open Offer (assuming that all the Share Options are exercised in full on or before the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings)	:	933,409,524 Shares
Application for excess Offer Shares	:	Available

Assuming that no Share Options are exercised on or before completion of the Open Offer, the Offer Shares proposed to be provisionally allotted (i.e. 228,922,969 Offer Shares) pursuant to the terms of the Open Offer represent (i) 33.33% of the Company's issued shares of 686,768,907 Shares, and (ii) 25% of the enlarged issued share capital of the Company comprising 915,691,876 Shares immediately following the completion of the Open Offer.

The number of Offer Shares which may be issued pursuant to the Open Offer will be increased in proportion to any additional Shares which may be allotted and issued pursuant to the exercise of the Share Options on or before the Record Date. As at the Latest Practicable Date, there were Share Options attaching subscription right to subscribe for 16,191,696 Shares outstanding. If the subscription right attaching to all such Share Options are fully exercised except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to increase and the number of Offer Shares that may be issued pursuant to the Open Offer is expected to be increased to 233,352,381 Offer Shares.

As at the Latest Practicable Date, other than the Share Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price is HK$0.5 per Offer Share, payable in cash in full upon application. Such Subscription Price represents:

(i) a discount of approximately 30.56% to the closing price of HK$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 29.38% to the average closing price of HK$0.708 per Share for the five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 31.13% to the average closing price of HK$0.726 per Share for the ten trading days up to and including the Last Trading Day; and

(iv) a discount of approximately 24.81% to the theoretical ex-entitlement price of HK$0.665 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and

(v) a discount of approximately 71.75% to the unaudited consolidated net asset value per Share of approximately HK$1.77 as at 30 June 2011 (based on the unaudited consolidated net asset value of the Group over the number of Shares in issue as at 30 June 2011).

The Subscription Price was arrived at after arm's length negotiation between the Company and YDHK (being the Underwriter) with reference to the prevailing market conditions and recent financial conditions of the Group. The Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having received advice from the Joint IFAs) consider that the terms of the Open Offer, including the determination of the Subscription Price is fair and reasonable and could enhance the attractiveness of the Open Offer, so as to encourage the Shareholders to participate in the Open Offer without exerting excessive financial burden on the part of the Shareholders. The Open Offer also offers each Qualifying Shareholder to maintain their respective pro rata shareholdings in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares, and enable them to participate in the future growth of the Group.

In light of the above, the Directors (including the members of the Independent Board Committee who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having received advice from the Joint IFAs) consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

Fractions of the Offer Shares

The Company will not provisionally allot fractions of Offer Shares. All fractions of Offer Shares will be aggregated and made available for excess application or underwritten by the Underwriter if the Open Offer is under-subscribed.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Offer Shares. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Application for excess Offer Shares

Qualifying Shareholders may apply for entitlements of the Non-Qualifying Shareholders (see the paragraph headed "Non-Qualifying Shareholders") and any Offer Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allotted to Qualifying Shareholders who have applied for excess Offer Shares on pro-rata basis with reference to their number of excess Offer Shares applied for.

The Directors consider that the allocation mechanism for the excess Offer Shares on the above principles is fair and equitable as it is likely for a larger number of potential and qualifying applicants for excess Offer Shares to have the opportunity to be successfully allocated with any excess Offer Shares.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company under the allocation of excess Offer Shares. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Offer Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominees and would like to have their names registered on the register of members of the Company, they must lodge all necessary document with Hong Kong Registrar Limited, for completion of the relevant registration by 4:30 p.m. on 14 February 2012.

Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Offer Shares is not subscribed for in full.

According to the Underwriter, the Underwriter intends to apply for 150,000,000 excess Offer Shares subject to the availability of such excess Offer Shares according to the above allocation principles.

Share certificates for the Offer Shares and refund cheques

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted to Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Offer Shares on or before 16 March 2012 at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before 16 March 2012 at their own risk.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, but without the related provisional allotment letter, to the Non-Qualifying Shareholders for information only.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Company's share registrar in Hong Kong by 4:30 p.m. on 14 February 2012. The last day of dealings in Shares on a cum-entitlements basis is therefore expected to be 10 February 2012. The Shares will be dealt with on an ex-entitlement basis from 13 February 2012. The Company's share registrar in Hong Kong is Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Non-Qualifying Shareholders

If there are any Overseas Shareholders at the close of business on the Record Date, such Overseas Shareholders may or may not be eligible to take part in the Open Offer.

The Directors will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholder taking into consideration the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Offer Shares to the Overseas Shareholders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be extended to the Overseas Shareholders who will become the Non-Qualifying Shareholders.

As at the Latest Practicable Date and based on information provided by the Hong Kong Registrars Limited to the Company, none of the Shareholders as recorded on the register of members of the Company has address(es) which is/are outside Hong Kong.

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares in their fully-paid form to be admitted into CCASS.

The first day of dealings in the Offer Shares is expected to commence on 20 March 2012.

Closure of register of members

The register of members of the Company will be closed from 15 February 2012 to 21 February 2012 (both dates inclusive) for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this book closure period.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Offer Shares. It is emphasised that none of the Company, the Underwriter, the Directors or any other parties involved in the Open Offer accepts responsibility for any tax effects or liabilities of holders of the Offer Shares resulting from the purchase, holding or disposal of, or dealing in the Offer Shares.

UNDERWRITING ARRANGEMENTS

As at the date of the Announcement and as at the Latest Practicable Date, YDHK was the owner of an aggregate of 252,016,000 Shares ("**YDHK Owned Shares**"), representing approximately 36.70% of the existing issued share capital of the Company. Pursuant to the Open Offer, YDHK will be entitled to subscribe for a maximum of 84,005,333 Offer Shares.

Pursuant to the Underwriting Agreement, YDHK has undertaken to the Company among other matters, that: (i) YDHK together with parties acting in concert with it will remain to be the controlling shareholder (as defined in the Listing Rules) of the Company from the date of the Underwriting Agreement up to the Latest Time for Termination; (ii) the YDHK Owned Shares will remain registered in the same name or the name of its nominee(s) and beneficially owned by YDHK (or, as the case may be, such parties acting in concert with it) from the date of the Underwriting Agreement up to the Record Date and will continue to have registered address in Hong Kong; (iii) it will accept the acceptance by the Latest Acceptance Time of the 84,005,333 Offer Shares which will be provisionally allotted to YDHK in respect of the YDHK Owned Shares registered in its name or the name of its nominee on the date of the Underwriting Agreement; and (iv) it will not (and it will procure that (so far as applicable and reasonably possible) company(ies) controlled by it or by any of its nominee(s) will not), during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, transfer or otherwise dispose of the any of the Shares held by it unless in accordance with the Listing Rules, the Takeovers Code and/or the conditions (if any) attached to the Whitewash Waiver granted.

UNDERWRITING AGREEMENT

Issuer	:	the Company
Underwriter	:	YDHK
Number of Underwritten Shares	:	not less than 144,917,636 Offer Shares (assuming none of the Share Options are exercised on the Record Date) and not more than 150,314,868 Offer Shares (assuming all the Share Options are exercised on the Record Date) are agreed to be underwritten by YDHK subject to and on the conditions and terms of the Underwriting Agreement, being the total number of Offer Shares under the Open Offer (excluding the 84,005,333 Offer Shares agreed to be taken up by YDHK under the Underwriting Agreement) For the avoidance of doubt, having regarded to the Directors' Undertakings, the maximum number of Offer Shares to be underwritten by YDHK will be 149,347,048 Offer Shares (assuming all the Share Options are exercised on the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings) under the Open Offer
Commission	:	to YDHK, a commission of two per cent. of the aggregate Subscription Price in respect of the number of Offer Shares underwritten by YDHK under the Underwriting Agreement

Under the terms of the Underwriting Agreement, the Company and the Underwriter have agreed that, if Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and if there is any Underwritten Share not taken up by the Latest Acceptance Time, the Company shall, before 6:00 p.m. on the first Business Day after the Latest Acceptance Time, notify or procure its share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up (the "**Untaken Shares**") and the Underwriter shall subscribe or procure subscription for (i) such Untaken Shares, and (ii) the Untaken Shares which are issued and allotted upon the exercise of the outstanding Share Options (if any), not later than 4:00 p.m. on the third Business Day after (but not including) the date of receipt by the Underwriter of the notification referred to above.

The Open Offer is fully underwritten. The Directors (including the members of the Independent Board Committee who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having received advice from the Joint IFAs) consider that:

(i) by taking the underwriting commission rates in the recent open offers announced by companies listed on the Stock Exchange in the past six months preceding the Last Trading Day as reference, which ranged from nil to 2.0% with an average of approximately 1.2%, the two per cent. commission payable to YDHK under the Underwriting Agreement is thus in line with the market practice; and

(ii) the major terms of the Underwriting Agreement including, but not limited to, the payment terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement are not unusual.

As such, the Directors (including the members of the Independent Board Committee who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having received advice from the Joint IFAs) are of the opinion that the terms of the Underwriting Agreement and the amount of commission to be paid to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

As at the Latest Practicable Date, YDHK (being the Underwriter) is the owner of 252,016,000 Shares, representing approximately 36.70% of the existing issued share capital of the Company. As such, YDHK and the parties acting in concert with it are the connected persons (as defined in the Listing Rules) of the Company.

Conditions of the Open Offer

The Open Offer is conditional upon the following conditions being fulfilled:

(1) the Company despatching this circular to the Shareholders containing, among other matters, details of the Underwriting Agreement, the Open Offer and the Whitewash Waiver together with proxy form and the notice of EGM;

(2) the passing by the Independent Shareholders at the EGM by way of poll of ordinary resolutions to approve the Open Offer (if required by the SFC, the Stock Exchange or other regulatory authorities) and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;

(3) the Executive granting the Whitewash Waiver to YDHK and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares (in their fully-paid forms) by no later than the date on which the Prospectus is despatched;

(5) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the date on which the Prospectus is despatched;

(6) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement; and

(7) YDHK, together with parties acting in concert with it, shall be and shall remain to be the controlling shareholders (as defined in the Listing Rules) of the Company.

None of the parties to the Underwriting Agreement may waive conditions (1) to (5) above (both inclusive) and condition (7). The Company may waive condition (6) above (so far as it relates to YDHK) in whole or in part by written notice to YDHK. The Underwriter may waive condition (6) above (so far as it relates to the Company) in whole or in part by written notice to the Company. If any of the conditions of the Open Offer are not fulfilled (or in respect of condition (6), waived in whole or in part by the Company and/or the Underwriter (as the case may be)) on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed. In respect of condition (6), as at the Latest Practicable Date, neither the Company nor YDHK has indicated its intention to waive such condition (6) to the extent which relates to the Company or YDHK, as the case may be.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

(a) in the reasonable opinion of the Underwriter acting in good faith, the success of the Open Offer would be materially and adversely affected by:

    (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

    (2) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic, currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or

international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(3) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(5) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(6) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or

(b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the People's Republic of China or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or

(c) this circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer,

if the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and the Open Offer will not proceed and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise in connection with the Underwriting Agreement.

Pursuant to the Underwriting Agreement, YDHK is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of YDHK; or

(b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of YDHK.

Any such notice shall be served by YDHK prior to the Latest Time for Termination.

REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS

The proposed Open Offer is intended to raise funds in the range of about HK$114 million to HK$117 million (before expenses). The net proceeds from the Open Offer after deducting for expenses are estimated to be approximately HK$108 million to HK$110 million. The Company intends to use the net proceeds for the following purposes:

(i) approximately HK$50 million for the repayment of a bank loan due to Industrial and Commercial Bank of China (Asia) Limited ("**Relevant Loan**") where the final instalment will be due on 28 June 2012;

(ii) approximately HK$10 million for the repayment of promissory note due 31 July 2012 ("**Promissory Note**") arising from the acquisition of Absolute Apex Limited as disclosed in the announcement of the Company dated 16 April 2010. The holder of the Promissory Note is Bright Harvest Holdings Limited whose ultimate beneficial owner is Ms Xin Hongling, who is an independent third party to the Company. The outstanding principal of the Promissory Note at the Latest Practicable Date is RMB38,296,000 and is interest free and the Group has sufficient internal resources to repay the remaining balance of the Promissory Note; and

(iii) the balance as general working capital for business operations and maintain liquidity of the Group, including but not limited to the enhancement of the exploration activities to increase reserves of the Group, investigation and improvement of the production process and technology, and the daily operating expenses such as staff costs, rental expenses, professional fees and finance costs of the mining business of the Group.

As at the Latest Practicable Date, the outstanding principal amount of the Relevant Loan which will be due on 28 June 2012 is HK$101,875,000 (approximately RMB83,028,000), and the applicable interest rate is Hong Kong Inter-Bank Offered Rate (or commonly known as HIBOR) plus 3%. The interest is charged on a monthly basis and the amount is immaterial at the Latest Practicable Date. Shares in some of the BVI members of the Group, which directly or indirectly hold PRC companies, which in turn hold mining rights and other assets, have been pledged to the lender in connection with the Relevant Loan.

The Company has considered other alternatives to raise funds for repaying the Relevant Loan but given the current market condition and in order to avoid dilution of the existing shareholding of the Company, an open offer is considered to be in the best interest of the Company and the Shareholders as a whole. If the proposed Open Offer is not approved by the Independent Shareholders at the EGM, the Company will repay the Relevant Loan through re-financing from other bank(s), but a higher interest rate is expected to be charged.

The Open Offer is fully underwritten by YDHK, the Company's controlling shareholder, which thereby demonstrates its confidence in the Company's future and growth prospects.

Given the current unstable conditions of the capital market and the thin trading volume of the shares of the Company, the Directors consider that it would be difficult to engage underwriter(s) for an open offer on acceptable terms. Accordingly, the Directors had not entered into any discussion with any merchant banks or other professional parties on the possibility for acting as underwriter(s) of the Open Offer.

Further, after considering alternative funding raising methods such as placement of new shares, debt financing and rights issue, the Directors believe that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through an open offer to finance its future operation. The Directors have considered, among other things, that:

(i) placement of new shares will preclude existing Shareholders from participating in the capital raising exercise which inevitably result in dilution to the equity interest of the existing Shareholders;

(ii) debt financing will inevitably create repayment and interest payment obligations on the Group;

(iii) rights issue, if compared to open offer, will increase administrative costs and expenses of the Company in arranging for trading of the nil-paid rights and the Underwriter has indicated its preference towards open offer rather than rights issue.

The Open Offer, on the other hand, will not only further strengthen the Company's capital base including its gearing level and enhance its financial position and net asset base, but also provide an equal opportunity to all Qualifying Shareholders to participate in this fund raising transaction on fair terms and the Directors consider that it will facilitate the long-term development of the Company. Taking into account the fact that the net proceeds from the Open Offer are expected to improve the Group's gearing position and enhance the Company's capital base, the Directors are of the view that the Open Offer is in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

(1) the Company had an issued share capital of HK$68,676,890.7 comprising of 686,768,907 Shares;

(2) there were Share Options attaching subscription right to subscribe for an aggregate of 16,191,696 Shares granted under the Share Option Scheme.

Accordingly, (i) the minimum number of Offer Shares to be issued under the Open Offer will be 228,922,969 Offer Shares (assuming no Share Options are exercised on or before the Record Date) and (ii) the maximum number of Offer Shares to be issued under the Open Offer will be 233,352,381 Offer Shares (assuming all Share Options are exercised on or before the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) after having regarded to the Director's Undertaking given by each of them).

Set out below is the shareholding structure of the Company as at the date of the Announcement, the Latest Practicable Date and immediately after completion of the Open Offer assuming that there is no change in the shareholding structure of the Company from the date of the Announcement to immediately before completion of the Open Offer save pursuant to the exercise of Share Options and the transactions contemplated under the Underwriting Agreement:

	As at the date of the Announcement and the Latest Practicable Date		Upon completion of the Open Offer and assuming that none of the Share Options is exercised on or before the Record Date				Upon completion of the Open Offer and assuming that all the Share Options are exercised on or before the Record Date (except those held by Liu Xiaoguang, Qi Guang Ya and Chen Yunhua) *(Note 6)*			
			Assuming no Shareholders (other than YDHK) have taken up any of their entitlements under the Open Offer		Assuming all Shareholders have taken up their entitlements under the Open Offer		Assuming no Shareholders (other than YDHK) have taken up any of their entitlements under the Open Offer		Assuming all Shareholders have taken up their entitlements under the Open Offer	
Name of Shareholder	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Underwriter:										
YDHK (also being a controlling shareholder of the Company) *(Note 1)*	252,016,000	36.70%	480,938,969	52.52%	336,021,333	36.70%	485,368,381	52.00%	336,021,333	36.00%
Parties acting in concert with YDHK:										
Pan Wanqu *(Note 2)*	1,020,000	0.15%	1,020,000	0.11%	1,360,000	0.15%	1,020,000	0.11%	1,360,000	0.15%
Liu Xiaoguang *(Note 3)*	600,000	0.09%	600,000	0.07%	800,000	0.09%	600,000	0.06%	800,000	0.08%
Qi Guang Ya *(Note 4)*	—	—	—	—	—	—	—	—	—	—
Chen Yunhua *(Note 5)*	—	—	—	—	—	—	—	—	—	—
Sub-total for aggregate holdings of YDHK and parties acting in concert with it:	253,636,000	36.94%	482,558,969	52.70%	338,181,333	36.94%	486,988,381	52.17%	338,181,333	36.23%
Other Directors:										
Dong Li Yong	3,000,000	0.44%	3,000,000	0.33%	4,000,000	0.44%	4,403,460	0.47%	5,871,280	0.63%
Hu Huaimin	848,000	0.12%	848,000	0.09%	1,130,666	0.12%	1,959,072	0.21%	2,612,096	0.28%
Public:	429,284,907	62.50%	429,284,907	46.88%	572,379,877	62.50%	440,058,611	47.15%	586,744,815	62.86%
Total:	**686,768,907**	**100%**	**915,691,876**	**100%**	**915,691,876**	**100%**	**933,409,524**	**100%**	**933,409,524**	**100%**

Notes:

1. These Shares are owned by YDHK. Jiangsu YD holds the entire issued share capital of YDHK and is deemed to be interested in these Shares held by YDHK.

2. Mr. Pan Wanqu is a director of Jiangsu YD.

3. Mr. Liu Xiaoguang is an executive Director and also a director of YDHK.

4. Mr. Qi Guang Ya is a non-executive Director and also a director of Jiangsu YD.

5. Mr. Chen Yunhua is a non-executive Director and also a director of each of YDHK and Jiangsu YD.

6. Each of Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya has given the Director's Undertaking to the Company that he will not exercise his respective Outstanding Options before completion of the Open Offer. Please refer to the paragraph headed "Whitewash Waiver" below for further details.

7. As at the Latest Practicable Date and save for the Share Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares or outstanding debt securities in issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer. Further announcement(s) will be made by the Company in accordance with the Listing Rules following the conclusion of the EGM and the completion of the Open Offer.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Open Offer is conditional upon, inter alia, the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Open Offer" under the section headed "Underwriting Agreement" in this circular. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Underwriting Agreement" in this circular above). The Open Offer may or may not proceed.

Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

ADJUSTMENTS RELATING TO SHARE OPTIONS UPON COMPLETION OF THE OPEN OFFER

Pursuant to the terms of the Share Option Scheme, adjustments to the Share Options may also be made upon the Open Offer becoming unconditional. The Company will instruct its auditors or an independent financial adviser to certify in writing the adjustments (if any) that ought to be made to the Share Options and announce further details on such adjustments in accordance with the provisions under the Share Option Scheme.

BACKGROUND OF THE UNDERWRITER

YDHK, being the Underwriter, is a company incorporated in Hong Kong on 19 September 1997 with limited liability. The principal activities of YDHK are investment holding and dealing of marketable securities. The ordinary course of business of YDHK does not include underwriting. It is a wholly-owned subsidiary of Jiangsu YD which is a State-owned enterprise established in the PRC. The directors of YDHK are Messrs. Liu Xiaoguang and Chen Yunhua (both being Directors). The directors of Jiangsu YD are Messrs. Chen Yunhua, Zhu Luhua, Shao Yong, Pan Wanqu, Zheng Qiaoya, Qi Guang Ya, Xie Zisheng and Liu Xunlong (among whom Messrs. Chen Yunhua and Qi Guang Ya are Directors).

INTENTION OF THE UNDERWRITER

YDHK intends that the Group will continue its existing business and has no intention or plans to inject any assets into the Group or dispose of any of the Group's assets, and it has no intention to introduce any major changes to the business of the Group, including any redeployment of the fixed assets of the Group. YDHK and parties acting in concert with it have no intention to make any major changes to the continued employment of the employees of the Group.

WHITEWASH WAIVER

YDHK together with its ultimate beneficial owner (namely, Jiangsu YD) and parties acting in concert with it are beneficially interested in 253,636,000 Shares, representing approximately 36.94% of the issued share capital of the Company as at the Latest Practicable Date. For the avoidance of doubt, the said 253,636,000 Shares are Shares in issue, and do not take account of underlying Shares which may be issued (but have not yet been issued) upon the exercise of the Outstanding Options held by some of the Directors (namely, Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya) who are deemed to be parties acting in concert with the Underwriter. Details of such Outstanding Options granted to the relevant Directors are as follow:

Name of the Director who is deemed to be a concert party with the Underwriter	Number of Options granted	Date of grant
Liu Xiaoguang	701,730	27 May 2009
Chen Yunhua	1,500,000	19 April 2010
Qi Guang Ya	701,730	27 May 2009

Accordingly, such Outstanding Options held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya were not granted in the six months prior to the date of the Announcement nor subsequent to negotiations, discussions, or the reaching by the Underwriter of the understandings or agreements with the Directors in relation to the proposed Open Offer. Further, each of Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya has given the Director's Undertaking to the Company that he will not exercise his respective Outstanding Options before completion of the Open Offer.

In the event that no Qualifying Shareholder (other than YDHK and parties acting in concert with it) takes up any Offer Shares under the Open Offer and assuming no Outstanding Options are exercised on or before the Record Date, YDHK (being the Underwriter) has agreed to subscribe for and take up 144,917,636 Offer Shares that are not subscribed for under the Open Offer pursuant to the Underwriting Agreement. Accordingly, the subscription for and underwriting of the Offer Shares under the Open Offer by YDHK may result in the aggregate shareholding in the Company of YDHK and parties acting in concert with it being increased from approximately 36.94% to approximately 52.70% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 52.17% (assuming all the Outstanding Options are exercised in full on or before the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings) and may trigger an obligation for YDHK and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by YDHK and parties acting in concert with it. Under the 2% creeper mentioned in the Takeovers Code, YDHK and parties acting in concert with it may increase their aggregate shareholding from the lowest percentage shareholding in the past 12 months of approximately 36.94% to approximately

38.94% without incurring a mandatory offer obligation. The possible increase of the aggregate shareholding of YDHK and parties acting in concert with it of approximately 15.76% from approximately 36.94% to approximately 52.70% (assuming no Outstanding Options are exercised on or before the Record Date) as a result of the subscription for and the underwriting of the Offer Shares under the Open Offer by YDHK represents an approximately 13.76% increase over and above the limit allowed by the 2% creeper (52.70% less 38.94%).

In the event that all the Outstanding Options are exercised in full on or before the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings, the possible increase of the aggregate shareholding of YDHK and parties acting in concert with it of approximately 15.23% from approximately 36.94% to approximately 52.17% as a result of the subscription and the underwriting of the Offer Shares under the Open Offer by YDHK represents an approximately 13.23% increase over and above the limit allowed by the 2% creeper (52.17% less 38.94%).

A formal application will be made by YDHK to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. At the EGM, YDHK and parties acting in concert with it (including, (i) Mr. Liu Xiaoguang being an executive Director and a director of YDHK; (ii) Mr. Chen Yunhua being a non-executive Director and a director of each of YDHK and Jiangsu YD; (iii) Mr. Qi Guang Ya being a non-executive Director and a director of Jiangsu YD; and (iv) Mr. Pan Wanqu being a director of Jiangsu YD) will abstain from voting on the relevant resolutions. Mr. Dong Li Yong, Mr. Hu Huaimin (both being the executive Directors and Shareholders) and Shareholders who are involved in or interested in the Underwriting Agreement or the Open Offer or the Whitewash Waiver or the transactions contemplated thereby are also required to abstain from voting at the EGM. It is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Open Offer will not proceed.

As at the Latest Practicable Date, other than (i) approximately 36.94% of the issued share capital of the Company beneficially owned by YDHK and parties acting in concert with it; (ii) the 701,730 Shares, 1,500,000 Shares and 701,730 Shares owned by Mr. Liu Xiaoguang, Mr. Chen Yunhua and Mr. Qi Guang Ya respectively representing underlying Shares which may be issued to them upon the exercise in full of the respective Share Options granted to them; (iii) the transactions contemplated under the Underwriting Agreement; and (iv) the intention of YDHK to apply for 150,000,000 excess Offer Shares subject to the availability of such excess Offer Shares as disclosed in this circular, YDHK and parties acting in concert with it do not hold any other shareholding interests, or control the right of direction or hold any convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities in the Company.

Save for the underwriting arrangement and YDHK's undertaking to accept the 84,005,333 Offer Shares which will be provisionally allotted to it under the Open Offer in respect of the YDHK Owned Shares as provided under the Underwriting Agreement and the intention of YDHK to apply for 150,000,000 excess Offer Shares subject to the availability of such excess Offer Shares as disclosed in this circular:

(a) neither YDHK nor any party acting in concert with it has received any irrevocable commitment to accept or reject the Offer Shares or to vote in favour of or against the resolutions in respect of the Open Offer or the Whitewash Waiver;

(b) there are no agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Underwriting Agreement and the Whitewash Waiver;

(c) there was no other arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of YDHK, parties acting in concert with it which are corporate entities or the Company and which may be material to the Whitewash Waiver and/or the Open Offer; and

(d) neither YDHK nor any party acting in concert with it borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Investors should be aware that there is a possibility that, upon completion of the Open Offer, YDHK will hold more than 50% of the voting rights in the Company. By then, YDHK may increase its shareholdings in the Company without incurring further obligation of making mandatory general offers pursuant to Rule 26 of the Takeovers Code.

However, there may be circumstances where there are changes in the make-up of the concert group of YDHK comprising YDHK, Jiangsu YD, Messrs. Liu Xiaoguang, Chen Yunhua, Qi Guang Ya and Pan Wanqu and the holding of each of YDHK and Jiangsu YD may change from time to time. In such case, any member in such concert group holding less than 50% of the voting rights of the Company may incur an obligation to make a mandatory general offer upon further acquisition of the Shares by any of them unless a waiver from the Executive is granted.

DEALINGS OF THE SHARES BY YDHK AND ITS CONCERT PARTIES

As confirmed by YDHK, neither YDHK nor any of the parties acting in concert with it in the six months prior to the date of the Announcement and up to the Latest Practicable Date have acquired any voting rights of the Company or dealt in any of the Shares.

EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at 10:00 a.m. on Thursday, 9 February 2012 at Office Nos. 3321–3323 & 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong at which ordinary resolutions will be proposed to consider and, if thought fit, by the Independent Shareholders to approve the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver.

As at the Latest Practicable Date, YDHK and parties acting in concert with it who have interest in the Shares include (in addition to YDHK):

(i) Mr. Liu Xiaoguang who is an executive Director and also a director of YDHK; he currently holds 600,000 Shares and is deemed to be interested in 701,730 Shares (representing underlying Shares which would be allotted and issued upon the exercise in full of the Share Options granted to him);

(ii) Mr. Chen Yunhua who is a non-executive Director and a director of each of YDHK and Jiangsu YD; he is deemed to be interested in 1,500,000 Shares (representing underlying Shares which would be allotted and issued upon the exercise in full of the Share Options granted to him);

(iii) Mr. Qi Guang Ya who is a non-executive Director and a director of Jiangsu YD; he is deemed to be interested in 701,730 Shares (representing underlying Shares which would be allotted and issued upon the exercise in full of the Share Options granted to him); and

(iv) Mr. Pan Wanqu who is a director of Jiangsu YD and who currently holds 1,020,000 Shares.

YDHK and parties acting in concert with it including Mr. Liu Xiaoguang, Mr. ChenYunhua, Mr. Qi Guang Ya and Mr. Pan Wanqu shall abstain from voting on the resolutions to approve the Open Offer and the Whitewash Waiver to be proposed at the EGM in accordance with the Takeovers Code. Mr. Dong Li Yong, Mr. Hu Huaimin (both being the executive Directors and Shareholders) and Shareholders who are involved in or interested in the Underwriting Agreement or the Open Offer or the Whitewash Waiver or the transactions contemplated thereby are also required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

LISTING RULES IMPLICATIONS

The entering into the Underwriting Agreement between the Company and the Underwriter is a connected transaction under the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, provided that Rule 7.26A(2) of the Listing Rules has been complied with, the Underwriting Agreement will be exempted from the reporting, announcement and independent shareholders approval requirements.

BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The principal activities of the Group are exploration, mining, processing and sale of zinc, lead, iron and gold ores, and the management and operation of a toll highway.

According to the published unaudited consolidated financial statements of the Group, for the six months ended 30 June 2011, the Group recorded revenue of approximately RMB231,475,000 and profit for the period attributable to the Shareholders of approximately RMB58,851,000. The mining operations realized an operating revenue of RMB215,262,000 with a segment profit of RMB56,619,000. Amidst the negative impact of the global financial turmoil that surfaced in the third quarter of 2008, both sale prices of and demands for zinc, lead, iron and gold ore concentrates have started to improve since the third quarter of 2009 after the slow recovery of the world's economy to the present. As a result of the improvement in prices and demands, both revenue and segment profit of mining operations have increased. The toll road operations recorded a net operating revenue of RMB16,213,000 and a segment loss of RMB6,473,000.

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 emphasis on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates.

The Directors do not intend to change its principal line of business. In the near future, the Group will continue to focus its effort and resources in maintaining and, where practicable, increasing its turnover and improving its financial position through maintaining better relationship with customers and co-operation with renowned State-owned smelting plants and enterprises in the PRC. More details of the co-operation agreements with Zhuzhou Smelter Group Co., Limited, Yunnan Yuntong Zinc Alloy Company Limited, Panzhihua Steel Group International Economic Trading Company Limited and Wugang Group Kunming Iron and Steel Company Limited were disclosed in the announcements of the Company dated 21 November 2008, 9 December 2008 and 22 December 2009 respectively.

Save for the events as disclosed under the section headed "NO MATERIAL CHANGE" (paragraph 9) of Appendix III to this circular, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group were made up.

RECOMMENDATION

The executive Directors consider the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer and the Whitewash Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Open Offer and the Whitewash Waiver.

Your attention is also drawn to the letter from the Joint IFAs which contain their advice to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver and the principal factors and reasons considered by it in arriving their advice. The texts of the letter from the Joint IFAs are set out on pages 32 to 53 of this circular.

The Independent Board Committee, having considered the terms of the Open Offer and the Whitewash Waiver and the advice given by the Joint IFAs, recommends the Independent Shareholders to vote in favour of the resolutions in relation to the Open Offer and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Yue Da Mining Holdings Limited
Chen Yunhua
Chairman

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)

19 January 2012

To the Independent Shareholders

Dear Sir/Madam,

(1) PROPOSED OPEN OFFER OF NOT LESS THAN 228,922,969 OFFER SHARES AND NOT MORE THAN 234,320,201 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE; AND (2) APPLICATION OF WHITEWASH WAIVER

We refer to the Letter from the Board set out in the circular dated 19 January 2012 (the "**Circular**") of which this letter forms part.

Capitalised terms defined in the Circular shall, unless the context otherwise requires, have the same meanings when used in this letter.

We have been appointed as the independent board committee of the Company to advise the Independent Shareholders as to whether the terms of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders, and to recommend whether the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer and the Whitewash Waiver. Athens Capital and Guotai Junan have been appointed as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver.

We wish to draw your attention to the letter from the Board and the letter from the Joint IFAs to the Independent Board Committee and the Independent Shareholders which contains their advice to us and you in relation to the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver as set out in the Circular.

Having taken into account principal factors and reasons considered by, and the opinion of the Joint IFAs as stated in their letter of advice as set out on pages 32 to 53 of the Circular, we consider the terms of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to the Open Offer to vote in favour of the ordinary resolutions approving the Open Offer and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Leung Mei Han
Cui Shu Ming
Han Run Sheng
Liu Yongping
Independent Non-executive Directors

The following is the text of a letter of advice prepared by Athens Capital and Guotai Junan to the Independent Board Committee and the Independent Shareholders regarding the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver for the purpose of inclusion in this circular.

ATHENS CAPITAL LIMITED
35/F Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

19 January 2012

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) PROPOSED OPEN OFFER OF NOT LESS THAN 228,922,969 OFFER SHARES AND NOT MORE THAN 234,320,201 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE; AND (2) APPLICATION OF WHITEWASH WAIVER

INTRODUCTION

We, Athens Capital and Guotai Junan, refer to our appointment as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver, the details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 19 January 2012 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 15 December 2011, the Company announced, among other things, the Open Offer (including the Underwriting Agreement) and the Whitewash Waiver. The Company proposed to issue not less than 228,922,969 Offer Shares (assuming no Share Options are exercised on or before the Record Date) and not more than 234,320,201 Offer Shares on the basis of one Offer Share for every three existing Shares in issue on the Record Date at the Subscription Price of HK$0.5 per Offer Share. The proposed Open Offer is intended to raise funds in the range of about HK$114 million to HK$117 million (before expenses).

The Open Offer is fully underwritten by YDHK, a controlling Shareholder and a wholly-owned subsidiary of Jiangsu YD which is interested in an aggregate of 252,016,000 Shares ("**YDHK Owned Shares**"), representing approximately 36.70% of the existing issued share capital of the Company as at the Latest Practicable Date. Pursuant to the Underwriting Agreement, among other things, YDHK has undertaken to subscribe for a maximum of 84,005,333 Offer Shares which will be provisionally allotted to YDHK (the "**YDHK Undertaken Shares**") in respect of the YDHK Owned Shares pursuant to the Open Offer. In addition, YDHK has the intention to apply for 150,000,000 excess Offer Shares subject to the availability of such excess Offer Shares. As at the Latest Practicable Date, YDHK together with its sole ultimate beneficial owner (namely, Jiangsu YD) and parties acting in concert with it (including, (i) Mr. Liu Xiaoguang being an executive Director and a director of YDHK; (ii) Mr. Chen Yunhua being a non-executive Director and a director of each of YDHK and Jiangsu YD; (iii) Mr. Qi Guang Ya being a non-executive Director and a director of Jiangsu YD; and (iv) Mr. Pan Wanqu being a director of Jiangsu YD) are beneficially interested in 253,636,000 Shares, representing approximately 36.94% of the existing issued share capital of the Company. Pursuant to the Underwriting Agreement, as a result of the subscription of YDHK Undertaken Shares and in the event that no Qualifying Shareholder (other than YDHK and parties acting in concert with it) takes up any Offer Shares under the Open Offer, YDHK (being the Underwriter) has agreed to subscribe for the YDHK Undertaken Shares and take up (i) 144,917,636 Offer Shares that are not subscribed for under the Open Offer (assuming no Outstanding Options are exercised on or before the Record Date); or (ii) 150,314,868 Offer Shares that are not subscribed for under the Open Offer (assuming all Outstanding Options are exercised on or before the Record Date). Having regarded to the Director's Undertakings, the maximum number of Offer Shares to be underwritten by the Underwriter will be 149,347,048 Offer Shares (assuming all the Share Options are exercised on the Record Date except those held by Messrs, Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings) under the Open Offer. Accordingly, the subscription for the YDHK Undertaken Shares and underwriting of the Offer Shares under the Open Offer by YDHK may result in the aggregate shareholdings in the Company of YDHK and parties acting in concert with it being increased from approximately 36.94%, assuming no Shareholders (other than YDHK) have taken up any of their entitlements under the Open Offer, to (i) approximately 52.70% (assuming no Outstanding Options are exercised on or before the Record Date), or (ii) to approximately 52.17% (assuming all the Outstanding Options are exercised on or before the Record Date except those held by Messrs, Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings).

In this connection, the subscription for the YDHK Undertaken Shares and taking up of the Underwritten Shares by YDHK may trigger an obligation for YDHK and parties acting in concert with it to make a mandatory offer to the Shareholders under Rule 26 of the Takeovers Code to acquire all the Shares and securities issued by the Company other than those held or agreed to be acquired by YDHK and parties acting in concert with it. As such, a formal application will be made by YDHK to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash

Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

The EGM will be convened to approve the Open Offer (including the Underwriting Agreement) and the Whitewash Waiver. YDHK and parties acting in concert with it (including Mr. Liu Xiaoguang, Mr. Chen Yunhua, Mr. Qi Guang Ya and Mr. Pan Wanqu) shall abstain from voting on the relevant resolutions to be proposed at the EGM. Mr. Dong Li Yong, Mr. Hu Huaimin (both being the executive Directors and Shareholders) and Shareholders who are involved in or interested in the Underwriting Agreement or the Open Offer or the Whitewash Waiver or the transactions contemplated thereby and their respective associates are also required to abstain from voting at the EGM.

As the non-executive Directors (namely, Mr. Chen Yunhua and Mr. Qi Guang Ya) are deemed to be parties acting in concert with YDHK in view of their positions in YDHK and/ or Jiangsu YD, accordingly they are not appointed as members of the Independent Board Committee. The Independent Board Committee comprising Ms. Leung Mei Han, Mr. Cui Shu Ming, Mr. Han Run Sheng and Dr. Liu Yongping, all being independent non-executive Directors who have no direct or indirect interest in the Underwriting Agreement, the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder has been formed to advise the Independent Shareholders on whether the terms of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Joint IFAs for the purpose of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver.

In our capacity as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the terms of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and are in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Apart from this normal advisory fee payable to us in connection with our appointment, with the approval of the Independent Board Committee, as the joint independent financial advisers, no arrangement exists whereby we shall receive any fees or benefits from the Company or its respective substantial shareholders.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. To the extent that it comes to our knowledge that any materials changes to the Group that would affect our opinion occurs between the date herein and the date of the EGM, we will notify Shareholders of any material changes and issue a new opinion letter as soon as practicable. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with the Takeovers Code. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions herein.

Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver, we have considered the following principal factors and reasons:

(I) Background of and reasons for the Open Offer

(a) Background information of the Group

The Group is principally engaged in exploration, mining, processing and sale of zinc, lead, iron and gold ores, and the management and operation of a toll highway.

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2010 and the six months ended 30 June 2011 as extracted from the annual report of the Company for the year ended 31 December 2010 (the "**2010 Annual Report**") and interim report of the Company for the six months ended 30 June 2011 (the "**2011 Interim Report**"):

	Year ended 31 December		**Six months ended 30 June**	
	2009	**2010**	**2010**	**2011**
	(Audited)	**(Audited)**	**(Unaudited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue:				
Mining operations	154,116	286,293	126,982	215,262
Toll road operations	55,597	64,523	31,948	16,213
Total revenue	209,713	350,816	158,930	231,475
Gross profit	49,356	129,063	65,076	69,806
(Loss)/Profit before tax	(40,285)	59,038	40,868	64,390
(Loss)/Profit after tax	(47,180)	43,602	32,540	56,882

	As at 31 December		**As at 30 June**
	2009	**2010**	**2011**
	(Audited)	**(Audited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	1,446,639	1,807,956	1,483,479
Current assets	97,775	388,018	562,930
Non-current liabilities	798,172	619,437	419,208
Current liabilities	93,134	376,786	425,169
Net current assets	4,641	11,232	137,761
Net assets	653,108	1,199,751	1,202,032
Total equity attributable to owners of the Company	526,924	928,006	992,267
Cash and bank balances	34,481	253,741	118,421

As illustrated in the table above, mining operations accounted for the majority of the Group's revenue for the year ended 31 December 2010, representing approximately 81.6% of the Group's total revenue in the same year. For the six months ended 30 June 2011, contribution from the mining business segment in terms of revenue further increased to approximately 93.0%.

As stated in the 2010 Annual Report, following completion of the acquisition of 70% equity interest of Tong Ling Guan Hua Mining Company Limited* (銅陵冠華礦業有限責任公司) ("**Tong Ling**") on 30 June 2010 (the "**Previous Completion**"), the holder of mining rights of a gold mine and an exploration licence of an iron mine in Anhui Province, the PRC, Tong Ling had significant contribution to the revenue and cashflow to the Group in 2010. As advised by the management of the Company, in 2010, since the Previous Completion, the revenue of Tong Ling already represented around 10% of the Group's total revenue in 2010.

As further stated in the 2010 Annual Report, both the sales prices and demands for zinc, lead, iron ore concentrates and gold started to improve from the third quarter of 2009 after the slow recovery of the world's economy. With the improvement in the market demand, the enhancement of the technology and production capacity of the Group's mining operation and the contribution from Tong Ling, revenue from mining operations recorded a growth of approximately 85.8% for the year ended 31 December 2010 and a growth of approximately 69.5% for the six months ended 30 June 2011 as compared with the corresponding year/period in the previous year.

In addition, the Group's profitability improved from a loss after tax of approximately RMB47.2 million for year ended 31 December 2009 to a profit after tax of approximately RMB43.6 million for the year ended 31 December 2010. Profitability of the Group further improved in 2011, the profit after tax for the six months ended 30 June 2011 reached approximately RMB56.9 million, which exceeded the full year profit after tax of approximately RMB43.6 million as recorded in year 2010.

As at 30 June 2011, the unaudited net current assets and net assets of the Group were approximately RMB137.8 million and RMB1,202.0 million respectively, with cash and bank balances of the Group amounted to approximately RMB118.4 million. We note that the decrease in cash and bank balances of the Group from approximately RMB253.7 million as at 31 December 2010 to approximately RMB118.4 million as at 30 June 2011 was mainly attributable to the repayment of bank borrowings and promissory notes.

(b) Reasons for the Open Offer and proposed use of proceeds

As set out in the Letter from the Board, the net proceeds from the Open Offer after deducting for expenses are estimated to be approximately HK$108 million to HK$110 million, which the Company intends to use for the following purposes:

(i) approximately HK$50 million for the repayment of part of a bank loan due to Industrial and Commercial Bank of China (Asia) Limited (the "**Relevant Loan**") where the final instalment will be due on 28 June 2012; and

(ii) approximately HK$10 million for the repayment of part of the promissory note which will be due on 31 July 2012 (the "**Promissory Note**") arising from the acquisition of Absolute Apex Limited as disclosed in the announcement of the Company dated 16 April 2010. The holder of the Promissory Note is Bright Harvest Holdings Limited whose ultimate beneficial owner is Ms Xin Hongling, who is an independent third party to the Company. The outstanding principal of the Promissory Note as at the Latest Practicable Date is RMB38,296,000 and is interest free and the Group has sufficient internal resources to repay the remaining balance of the Promissory Note; and

(iii) the remaining balance as general working capital for business operation and maintain liquidity of the Group, including but not limited to the enhancement of the exploration activities to increase reserve of the Group, investigation and improvement of the production process and technology, and the daily operating expenses such as staff costs, rental expenses, professional fees and finance costs of the mining business of the Group.

As at the Latest Practicable Date, the Relevant Loan which will be due on 28 June 2012 has an outstanding principal amount of HK$101,875,000 (approximately RMB83,028,000), and the applicable interest rate is Hong Kong Inter-Bank Offered Rate (or commonly known as HIBOR) plus 3%. Shares in some of the BVI members of the Group, which directly or indirectly hold PRC companies, which in turn hold mining rights and other assets, have been pledged to the lender in connection with the Relevant Loan. As stated in the Letter from the Board, if the proposed Open Offer is not approved by the Independent Shareholders at the EGM, the Company will repay the Relevant Loan through re-financing from other bank(s).

According to the 2011 Interim Report, as at 30 June 2011, the Group had a cash and bank balances of approximately RMB118.4 million and total borrowings (being bank borrowings and promissory notes) of approximately RMB316.3 million. The gearing ratio of the Group as at 30 June 2011 (net debt divided by total equity attributable to owners of the Company, with net debt being total borrowings less cash and bank balances) was approximately 19.9%. According to the section headed "Indebtedness Statement" as set out in Appendix I of the Circular, as at 30 November 2011, the Group had total indebtedness with carrying amount of approximately RMB297.1 million, of which bank borrowings (including the Relevant Loan) and the Promissory Notes accounted for over 90% of the total indebtedness. As stated in the Letter from the Board, we note that the amount of net proceeds intended to be applied for repayment of the Relevant Loan and the Promissory Note are less than their respective outstanding principal amount. In view of the above, we consider that the cash and bank balances of the Group are not high taking into account the anticipated cash outlay of its non-trade related payment obligations. We have also reviewed the cashflow projection made by the management of the Company and we note that repayment of the Relevant Loan and the Promissory Note is intended to be financed by the net proceeds from the Open Offer, the funds generated from operation and the Group's present available financial resources. Based on the foregoing, we consider that the proceeds from the Open Offer together with other resources available to the Group as discussed above will be sufficient for repayment of the Relevant Loan and the Promissory Note.

In light of the uncertainty and instability of current market conditions stemming from the deteriorating European sovereign debt crisis and the ongoing volatile macroeconomic environment, the Directors expect that it will be increasingly challenging for the Group to obtain bank borrowings at terms similar to or more favourable as compared with the Relevant Loan or other existing bank facilities of the Group. We have enquired to and have been advised by the Directors that they have approached banks for obtaining banking facilities in recent months and they noted that banks were demanding higher interest rates than that associated with the Relevant Loan. As such, we consider that it is appropriate for the Company to enlarge its capital base by raising long-term equity funding in order to strengthen its financial position. The Open Offer will provide funding for repayment of the Group's indebtedness and additional working capital for the Group's recent business pursuit which is expected to reduce the gearing position of the Group and strengthen its financial position amidst the uncertain economic environment.

In addition, as discussed above, mining business of the Group began to recover in 2010 and it began to diversify into gold mining business through Tong Ling in second half in 2010. We have been advised by the Directors that it is anticipated that additional working capital will be deployed for mining business of the Group and for the newly established gold mining business after taking into account (i) the Group's strategy to further enhance its production processes and technology in its mining activities which will enhance the production capacity; and (ii) the Group's objective to further expand its gold mining business through the acquisition of additional 22% equity interest of Tong Ling (the "**Tong Ling Acquisition**") as announced by the Company on 26 September 2011. As such, we consider that it will be preferable for the Group to raise fund to be deployed as working capital purpose in view of its intended business expansion. According to our review of the cashflow projection made by the management of the Company for the year ending 31 December 2012, we note that total estimated capital requirement of approximately RMB111 million will be expected for (i) purchase of additional mining equipment for improving the mining production processes and technology; and (ii) payment of consideration and professional fees and expenses of the Tong Ling Acquisition. We understand that the above capital requirement is arrived at after taking into consideration the Group's business development plan and strategy. We are further given to understand that the aforementioned capital requirement will be principally financed by (i) funds generated from operating activities of the Group; and (ii) proceeds from the disposal of certain subsidiaries of the Company and the shareholders' loan owed to the Group as disclosed in the Company's announcement dated 16 August 2011.

As further stated in the 2011 Interim Report, in strengthening the Group's position in its mining business, the Group has adopted the strategy of capturing acquisition opportunities for mining projects with rich reserves, high quality, immense value-added potentials and quick cashflow returns in order for the Group to further expand its scale of production, diversify into new profits streams and generate higher return to the Shareholders. We note that the Group has been actively exploring for suitable investment opportunities, (i) the Tong Ling Acquisition; and (ii) as disclosed in the announcement of the Company dated 3 November 2011, the Company was in preliminary negotiation for a proposed acquisition of about 80% equity interest in a company which held mining rights in Lao People's Democratic Republic. With the net proceeds from the Open Offer, it will enhance the financial position and enlarge the capital base of the Company. Therefore it will better prepare the Company in making timely decision for capturing suitable investment opportunities to facilitate the long-term development of the Company.

We also understand from the Directors that they have considered alternative means for fund raising, such as, bank borrowings, private placement of new Shares and rights issue. In light of current uncertain economic environment, we are given to understand that the Directors are of the view that it is more desirable to finance the Group's long term growth by way of equity rather than by debt as it will strengthen the Group's financial position without imposing any repayment or interest burden to the Group. We consider that bank borrowing and other debt financing will inevitably create repayment and interest payment obligations on the Group and will therefore adversely affect the Group's financial position and increase its gearing ratio. Therefore, it will not be preferable to the Group under current volatile market condition.

With regard to private placement of new Shares, existing Shareholders will be precluded from participating in the capital raising exercise and will result in dilution of Shareholders' interests in the Company and therefore depriving their rights to maintain their proportional shareholdings. As such, it will not be a suitable alternative to the Open Offer.

The Open Offer will allow the Qualifying Shareholders to maintain their respective percentage interests in the Company by taking up their allotments under the Open Offer in full. As such, the Qualifying Shareholders are given an opportunity to participate in the future growth and development of the Group. While both rights issue and open offer can raise funds and allow the Qualifying Shareholders to maintain their existing shareholdings in the Company, comparing with rights issue, open offer does not have trading of nil-paid entitlements on the Stock Exchange, hence no administrative costs and expenses will be incurred in arranging for trading of nil-paid entitlements, and is therefore more cost effective.

Further, according to the Listing Rules, in normal circumstances, both rights issue and open offer must be fully underwritten. As such, in the selection of the fund raising method to be used by the Company, the underwriter's consensus with the Company's intended fund raising method also plays an important role in the decision making process. As advised by the management of the Company, during the negotiation process with the Underwriter, the Underwriter indicated their preference towards open offer rather than rights issue. After taking into account current volatile conditions of the capital market and thin trading volume of the Shares, the Directors consider that it will be difficult to engage third party underwriter(s) for open offer on acceptable terms. Accordingly, the Directors had not entered into any discussion with any merchant banks or other professional parties on the possibility for acting as underwriter(s) of the Open Offer. With YDHK, the controlling Shareholder, acting as the underwriter, it demonstrates its confidence in Company's future and growth prospects. In addition, based on foregoing analysis, among debt financing, placement of new Shares and open offer, we consider that open offer will be a preferable financing means for the Group. Moreover, in view of (i) open offer incurs lower administrative expenses than rights issue; (ii) both open offer and rights issue allow Shareholders to maintain their proportionate interests in the Company; (iii) dilution effect to Shareholders interests of both open offer and rights issue are the same if Shareholders do not accept their entitlements; and (iv) indication of the underwriter's preference towards open offer, we are of the view that the Open Offer is a better fund raising method for the Company than rights issue.

Taking into account, (i) the Open Offer will enlarge the capital base of the Company and strengthen its financial position under current uncertain market environment; (ii) the use of net proceeds for the Open Offer is mainly for repayment of part of the Relevant Loan and part of the Promissory Note which will strengthen financial position of the Group and lower the gearing level; (iii) the possible surge in interest rate in obtaining banking facilities by the Group; (iv) anticipated increase in working capital deployment given the Group's proposed business expansion objectives and strategies; (v) the Group's business strategy of strengthening its position in mining business through acquisition of mining rights and projects which generate quick cashflow returns and with growth potential; (vi) higher cash level will probably enable the Company to grasp any immediate investment opportunity to facilitate its long-term growth; and (vii) the Open Offer is considered to be a better fund raising method, we are of the view that the Open Offer is in the interests of the Company and Shareholders as a whole.

(II) Principal terms of the Open Offer

(a) Basis of the Open Offer

As stated in the Letter from the Board, the Open Offer is on the basis of one Offer Share for every three existing Shares held on the Record Date.

(b) Subscription Price

The Subscription Price of HK$0.5 per Offer Share represents:

(i) a discount of approximately 30.56% to the closing price of HK$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 29.38% to the average closing price of HK$0.708 per Share for the five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 31.13% to the average closing price of HK$0.726 per Share for the ten trading days up to and including the Last Trading Day;

(iv) a discount of approximately 24.81% to the theoretical ex-entitlement price of HK$0.665 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and

(v) a discount of approximately 71.75% to the unaudited consolidated net asset value per Share of approximately HK$1.77 as at 30 June 2011 (based on the unaudited consolidated net asset value of the Group over the number of Shares in issue as at 30 June 2011).

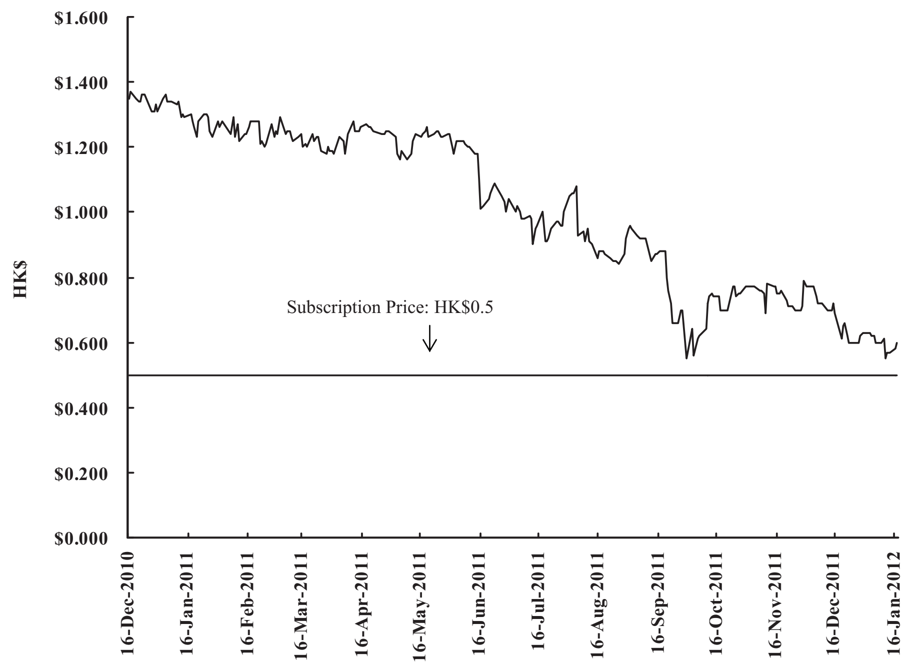
(vi) a discount of approximately 16.67% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As disclosed in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and YDHK (being the Underwriter) with reference to the prevailing market conditions and recent financial conditions of the Group.

(i) Share price performance of the Shares

We have reviewed the movements in trading price of the Shares commencing on 16 December 2010 (being the 12-month period immediately prior to the Last Trading Day) to the Latest Practicable Date (the "**Review Period**"). The chart below illustrates the daily closing prices of the Shares during the Review Period.

Chart 1: Closing prices of the Shares during the Review Period



Source: Website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the above chart, during the Review Period, the closing prices of the Shares was in a downward trend from December 2010 to September 2011. During the Review Period, the closing prices of the Shares were in the range of HK$0.55 per Share to HK$1.37 per Share. The Subscription Price is lower than the lowest closing price of the Shares during the Review Period and represents a discount of approximately 9.1% to such lowest closing price and a discount of approximately 63.5% to the highest closing price.

(ii) Trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period with details set out in the table below:

Table 1: Trading volume of the Shares during the Review Period

	Total trading volume for the month/period	**Average daily trading volume for the month/ period** *(Note 1)*	**Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date** *(Note 2)*	**Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date** *(Note 3)*
2010				
December *(Note 4)*	2,594,000	235,818	0.03%	0.05%
2011				
January	14,890,000	709,047	0.10%	0.17%
February	7,355,000	408,611	0.06%	0.10%
March	22,340,800	971,339	0.14%	0.23%
April	7,543,000	419,055	0.06%	0.10%
May	17,749,000	887,450	0.13%	0.21%
June	5,939,500	282,833	0.04%	0.07%
July	11,746,500	587,325	0.09%	0.14%
August	15,057,000	654,652	0.10%	0.15%
September	3,458,820	172,941	0.03%	0.04%
October	3,805,000	190,250	0.03%	0.04%
November	1,102,000	50,090	0.01%	0.01%
December	3,146,306	157,315	0.02%	0.04%
2012				
January *(up to the Latest Practicable Date)*	1,395,000	126,818	0.02%	0.03%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. *Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the relevant month/period which exclude any trading day on which trading of Shares on the Stock Exchange was suspended for the whole trading days.*

2. *Based on 686,768,907 Shares in issue as at the Latest Practicable Date*

3. *Based on 429,284,907 Shares held by the public Shareholders as at the Latest Practicable Date.*

4. *The trading days represented the period from 16 December 2010 to 31 December 2010.*

As illustrated in the table above, the average daily trading volume of the Shares in each month/period during the Review Period ranged from approximately 50,090 Shares to approximately 971,339 Shares, representing approximately 0.01% and 0.14% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.01% and 0.23% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date. The average daily trading volume of the Shares in each month/period was below 1% of the total number of Shares held by the public as at the Latest Practicable Date. As such, the trading of the Shares was thin during the Review Period.

Taking into account that the trading of the Shares had been fairly illiquid in the open market, we concur with the Directors' belief that setting a discount to the historical closing prices of the Shares would enhance the attractiveness of the Open Offer and encourage the Qualifying Shareholders to reinvest in the Company through the Open Offer.

(iii) Comparison with other open offer

In assessing the reasonableness of the terms of the Open Offer, we have based on the information available from the Stock Exchange's website, identified an exhaustive list of three open offers announced by companies listed on the Stock Exchange in the past six months preceding the Last Trading Day (the "**Comparables**"). For the purpose of our analysis, the basis of our selection of the Comparables are as follows: (i) open offers which were conditional on the grant of whitewash waiver of the obligation of the underwriter(s) to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the performance of the underwriting obligations by the underwriter(s) for the open offers; (ii) bonus issues or warrants were not involved in the open offers; and (iii) excluding those announcements made by companies which have prolonged suspension or with provisional liquidator appointed. Given that the Open Offer must be fully underwritten and is conditional on the grant of the Whitewash Waiver to the Underwriter, we consider that those comparables with similar condition precedent, i.e. conditional on the grant of whitewash waiver to underwriter(s), will be more meaningful and relevant for comparison purpose. After taking into account the structure of the Open Offer and the Group's business development, we are of the view that the Comparables are fair and representative samples for comparison. Details of our findings on the Comparables are summarized in Table 2 below.

Table 2: The Comparables

Date of announcement	Company name (stock code)	Basis of entitlement	Maximum dilution effect on shareholding % (Approximate)	Discount of the subscription price to closing price per share on the last trading day/ prior to the release of relevant announcement % (Approximate)	Discount of the subscription price to theoretical ex-entitlement price % (Approximate)	Underwriting commission %	Application for excess offer shares/rights shares
5 Aug 2011	China Water Property Group Limited (2349)	2 for 5	28.6	55.0	46.6	nil	No
9 Nov 2011	Sino Gas Group Limited (260)	1 for 2	33.3	14.9	10.3	1.7	Yes
23 Nov 2011	China Electric Power Technology Holdings Limited (8053)	4 for 1	80.0	77.5	40.8	2.0	Yes
Minimum			**28.6**	**14.9**	**10.3**	**nil**	
Maximum			**80.0**	**77.5**	**46.6**	**2.0**	
Average			**47.3**	**49.1**	**32.6**	**1.2**	
15 Dec 2011	The Company (629)	1 for 3	25.0	30.6	24.8	2.0	Yes

Source: Website of the Stock Exchange (www.hkex.com.hk)

As indicated in the above table, subscription prices of the Comparables were set at discount to their respective closing prices per share on the last full trading day on/prior to the date of release of the relevant announcements, ranging from approximately 14.9% to 77.5%, with an average discount of approximately 49.1%. The Subscription Price represents a discount of approximately 30.6% to the closing price per Share on the Last Trading Day, which is within the range of the Comparables and below the average discount of the Comparables.

In respect of the discount of the subscription prices to the theoretical ex-entitlement price per share of the Comparables, they ranged from approximately 10.3% to 46.6%, with an average discount of approximately 32.6%. The Subscription Price represents a discount of approximately 24.8% to the theoretical ex-entitlement price per Share as quoted on the Last Trading Day is within the range of the Comparables and below the average discount of the Comparables.

Having considered (i) it is a common market practice for listed issuers to price open offer at a discount to the market price of the shares in order to encourage subscription by shareholders as illustrated by the fact that all Comparables had set their subscription prices at a discount to the prevailing market prices; (ii) the discount as represented by the Subscription Price to the closing price per Share on the Last Trading Day falls within the range of the Comparables; (iii) the discount as represented by the Subscription Price to the theoretical ex-entitlement price per Share as quoted on the Last Trading Day falls within the range of the Comparables; and (iv) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company and to participate in any potential future growth of the Company, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Underwriting arrangements

Under the Listing Rules, all rights issues and open offers should normally be fully underwritten unless certain requirements can be satisfied. The Open Offer is no exception to such Listing Rules requirement.

With the Open Offer being fully underwritten, it can guarantee the amount of proceeds that the Company can raise if the Open Offer proceeds and completes. It is not uncommon for open offers to be underwritten by major shareholders or financial institutions. In the case of the Open Offer, it is underwritten by YDHK, the controlling Shareholder, holding approximately 36.7% of the issued share capital of the Company as at the Latest Practicable Date.

The Company will pay YDHK (being the Underwriter) an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the Underwritten Shares. Based on our review of the underwriting arrangements of the Comparables, we note that the underwriting commission rates paid by the listed companies under the Comparables ranged from nil to 2.0% with an average of approximately 1.2%. The rate of the underwriting commission under the Underwriting Agreement is within the range of the Comparables. Having considered the above, we are of the view that the underwriting commission paid to the YDHK is in line with the market practice and is fair and reasonable.

We have also reviewed other major terms of the Underwriting Agreement including, but not limited to, the payment terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any terms which are unusual. As such, we are of the view that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(d) Application for excess Offer Shares

As stated in the Letter from the Board, Qualifying Shareholders may apply, by way of excess application, for the entitlements of the Non-Qualifying Shareholders and for any Offer Shares provisionally allotted but not accepted by the Qualifying Shareholders.

The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

(i) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(ii) subject to availability of excess Offer Shares after allocation under principle (i) above, the excess Offer Shares will be allotted to Qualifying Shareholders who have applied for excess Offer Shares on pro-rata basis with reference to their number of excess Offer Shares applied for.

We are not aware of the allocation arrangement of excess application of the Open Offer being unusual to that of the Comparables. Therefore, we consider such allocation arrangement is in line with normal market practice.

The excess application arrangement provides a means for the Qualifying Shareholders to subscribe for additional Offer Shares in order to top up their odd-lot holdings to whole-lot holdings. Moreover, preference will be given to applications for topping up odd lots to whole board lots. As such, allocation mechanism is in place for Qualifying Shareholders to avoid potential losses resulting from odd lots. We understand that YDHK intends to apply for 150,000,000 excess Offer Shares. Having considered that YDHK's excess application for Offer Shares is subject to the availability of such excess Offer Shares which shall be allocated in accordance with the same allocation principles as stated above, we consider both YDHK and other Qualifying Shareholders receive the same treatment regarding their excess application for Offer Shares with allocation arrangement on a pro-rata basis being in line with normal market practice. Based on the foregoing, the allocation mechanism is in the interest of the Shareholders as a whole.

(III) Dilution effect of the Open Offer on shareholding interests of the Shareholders

Set out in the table below are the changes in shareholding structure of the Company arising from the Open Offer:

Name of Shareholder	As at the date of the Announcement and Latest Practicable Date		Upon completion of the Open Offer and assuming that none of the Share Options is exercised on or before the Record Date				Upon completion of the Open Offer and assuming that all the Share Options are exercised on or before the Record Date (except those held by Liu Xiaoguang, Qi Guang Ya and Chen Yunhua) *(Note 6)*			
			Assuming no Shareholders (other than YDHK) have taken up any of their entitlements under the Open Offer		Assuming all Shareholders have taken up their entitlements under the Open Offer		Assuming no Shareholders (other than YDHK) have taken up any of their entitlements under the Open Offer		Assuming all Shareholders have taken up their entitlements under the Open Offer	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Underwriter:										
YDHK (also being a controlling Shareholder) *(Note 1)*	252,016,000	36.70%	480,938,969	52.52%	336,021,333	36.70%	485,368,381	52.00%	336,021,333	36.00%
Parties acting in concert with YDHK:										
Pan Wanqu *(Note 2)*	1,020,000	0.15%	1,020,000	0.11%	1,360,000	0.15%	1,020,000	0.11%	1,360,000	0.15%
Liu Xiaoguang *(Note 3)*	600,000	0.09%	600,000	0.07%	800,000	0.09%	600,000	0.06%	800,000	0.08%
Qi Guang Ya *(Note 4)*	—	—	—	—	—	—	—	—	—	—
Chen Yunhua *(Note 5)*	—	—	—	—	—	—	—	—	—	—
Sub-total for aggregate holdings of YDHK and parties acting in concert with it:	253,636,000	36.94%	482,558,969	52.70%	338,181,333	36.94%	486,988,381	52.17%	338,181,333	36.23%
Other Directors:										
Dong Li Yong	3,000,000	0.44%	3,000,000	0.33%	4,000,000	0.44%	4,403,460	0.47%	5,871,280	0.63%
Hu Huaimin	848,000	0.12%	848,000	0.09%	1,130,666	0.12%	1,959,072	0.21%	2,612,096	0.28%
Public:	429,284,907	62.50%	429,284,907	46.88%	572,379,877	62.50%	440,058,611	47.15%	586,744,815	62.86%
Total:	686,768,907	100%	915,691,876	100%	915,691,876	100%	933,409,524	100%	933,409,524	100%

Notes:

1. *These Shares are owned by YDHK. Jiangsu YD holds the entire issued share capital of YDHK and is deemed to be interested in these Shares held by YDHK.*

2. *Mr. Pan Wanqu is a director of Jiangsu YD.*

3. *Mr. Liu Xiaoguang is an executive Director and also a director of YDHK.*

4. *Mr. Qi Guang Ya is a non-executive Director and also a director of Jiangsu YD.*

5. *Mr. Chen Yunhua is a non-executive Director and also a director of each of YDHK and Jiangsu YD.*

6. *Each of Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya has given the Director's Undertaking to the Company that he will not exercise his respective Outstanding Options before completion of the Open Offer. Please refer to the paragraph headed "Whitewash Waiver" as set out in the Letter from the Board for further details.*

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. For those Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer, depending on the extent that they take up their entitlements, will have their shareholdings in the Company diluted by up to a maximum of approximately 25% upon completion of the Open Offer.

In all cases of open offers, the dilution on the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer is inevitable. Based on our review of the Comparables, the effect of such maximum dilution ranged from approximately 28.6% to 80.0% and the possible maximum dilution of 25% as in the case of the Open Offer is below the minimum possible shareholding dilution of the Comparables of approximately 28.6%.

Taking into account (i) the inherent dilutive nature of open offer in general; (ii) the Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to subscribe at a lower price as compared to the historical and prevailing market price of the Shares; and (iii) the possible maximum dilution of the Open Offer is below the minimum possible shareholding dilution of the Comparables, we are of the view that such potential dilution of the Open Offer on the shareholding of the Shareholders is acceptable and justifiable.

(IV) Financial effects of the Open Offer

(a) Net tangible assets

Based on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular (the "**Pro Forma Financial Information**"), assuming the Open Offer had been completed on 30 June 2011, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company will amount to (i) approximately RMB27.3 million, assuming minimum number of 228,922,969 Offer Shares will be issued (the "**Minimum Open Offer**"); or (ii) approximately RMB29.0 million, assuming maximum number of 233,352,381 Offer Shares will be issued (the "**Maximum Open Offer**"), as compared to the unaudited adjusted consolidated net tangible liabilities attributable to equity holders of the Company of approximately RMB60.8 million as at 30 June 2011.

Immediately after completion of the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets per Share will be increased to approximately RMB0.03 per Share (under both the Minimum Open Offer and the Maximum Open Offer) as compared to the unaudited adjusted consolidated net tangible liabilities per Share of approximately RMB0.09 per Share as at 30 June 2011.

(b) Gearing ratio

As noted from the 2011 Interim Report, the gearing ratio (calculated as a percentage of total borrowings minus cash and bank balances over equity attributable to owners of the Company) amounted to approximately 19.9%. Under the Minimum Open Offer, equity of the Company will be increased by gross proceeds from the Open Offer of approximately HK$114 million, total borrowings of the Group will be decreased by approximately HK$60 million due to repayment of part of the Relevant Loan and part of the Promissory Note and cash level will be improved by the remaining net proceeds from the Open Offer after repayment of part of the Relevant Loan and part of the Promissory Note. Under the Maximum Open Offer, equity of the Group will be increased by gross proceeds from the Open Offer of approximately HK$117 million in addition to the proceeds in relation to the exercise of the Outstanding Options except those Share Options held by Messrs Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) after having regard to the Director's Undertaking given by each of them, which will amount to approximately HK$13 million, total borrowings will be reduced following repayment of part of the Relevant Loan and part of the Promissory Note of approximately HK$60 million and cash level will be improved by remaining net proceeds from the Open Offer after repayment of part of the Relevant Loan and part of the Promissory Note and net proceeds from exercise of Outstanding Options. As the capital base of the Group would be enlarged upon completion of the Open Offer and the borrowings of the Group are expected to be reduced due to the Open Offer, the gearing position of the Group would be improved.

(c) Working capital

Based on the 2011 Interim Report, the cash and bank balances of the Group as at 30 June 2011 amounted to approximately RMB118.4 million. Immediately after completion of the Open Offer, the cash and bank balances of the Group will increase as a result of the net proceeds from the Open Offer. Accordingly, working capital of the Group will be improved as a result of the Open Offer.

Having considered the abovementioned financial effects on the Group's net tangible assets, the gearing and working capital arising from completion of the Open Offer, we are of the view that the Open Offer will have positive financial effects on the Group from an overall perspective.

It should be noted that the above analyses are for illustrative purposes only and does not purport to represent how the actual financial position of the Group will be on the date of completion of the Open Offer.

(V) Whitewash Waiver

YDHK is the Underwriter and a controlling Shareholder. YDHK is holding an aggregate of 252,016,000 Shares, representing approximately 36.70% of the existing issued share capital of the Company as at the Latest Practicable Date. YDHK has undertaken to subscribe for YDHK Undertaken Shares (being 84,005,333 Offer Shares) which will be provisionally allotted to it in respect of the YDHK Owned Shares and YDHK has the intention to apply for 150,000,000 excess Offer Shares subject to the availability of such excess Offer Shares. As at the Latest Practicable Date, YDHK together with its sole ultimate beneficial owner, Jiangsu YD, and parties acting in concert with it (including, (i) Mr. Liu Xiaoguang being an executive Director and a director of YDHK; (ii) Mr. Chen Yunhua being a non-executive Director and a director of each of YDHK and Jiangsu YD; (iii) Mr. Qi Guang Ya being a non-executive Director and a director of Jiangsu YD; and (iv) Mr. Pan Wanqu being a director of Jiangsu YD) are beneficially interested in 253,636,000 Shares, representing approximately 36.94% of the existing issued share capital of the Company.

As a result of the subscription of YDHK Undertaken Shares and in the event that YDHK is required to perform its underwriting commitment under the Underwriting Agreement in full, YDHK will be required to take up (i) 144,917,636 Offer Shares that are not subscribed for under the Open Offer (assuming no Outstanding Options are exercised on or before the Record Date); or (ii) 150,314,868 Offer Shares that are not subscribed for under the Open Offer (assuming all Outstanding Options are exercised in full on or before the Record Date). Having regarded to the Director's Undertakings, the maximum number of Offer Shares to be underwritten by the Underwriter will be 149,347,048 Offer Shares (assuming all the Share Options are exercised on the Record Date except those held by Messrs, Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings). Therefore, it may result in the aggregate shareholdings in the Company of YDHK and parties acting in concert with it being increased from approximately 36.94% to (i) approximately 52.70% (assuming no Outstanding Options are exercised on or before the Record Date), or (ii) to approximately 52.17% (assuming all the Outstanding Options are exercised in full on or before the Record Date except those held by Messrs, Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings).

Accordingly, YDHK and parties acting in concert with it will be obliged to make a mandatory offer under Rule 26 of the Takeovers Code to acquire all the Shares and securities issued by the Company other than those held or agreed to be acquired by YDHK and parties acting in concert with it. A formal application will be made by YDHK to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. YDHK and parties acting in concert with it (including Mr. Liu Xiaoguang, Mr. Chen Yunhua, Mr. Qi Guang Ya and Mr. Pan Wanqu) shall abstain from voting on the proposed resolutions approving the Open Offer and the Whitewash Waiver at the EGM. Mr. Dong Li Yong, Mr. Hu Huaimin (both being the executive Directors and Shareholders) and Shareholders who are involved in or interested in the Underwriting Agreement or the Open Offer or the Whitewash Waiver or the transactions contemplated thereby are also required to abstain from voting at the EGM.

Shareholders should be aware of the fact that the Open Offer is conditional upon, amongst others, the granting of the Whitewash Waiver by the Executive and the passing of the relevant resolutions by the Independent Shareholders at the EGM, and such conditions cannot be waived. Based on our analysis of the terms of the Open Offer, reasons for the Open Offer and the use of proceeds of the Open Offer as set out above, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. Given (i) the abovementioned positive financial effects to the Group as a result of the Open Offer; (ii) all Qualifying Shareholders will be provided with an equal opportunity to take up the Offer Shares in accordance with their provisional entitlements under the Open Offer and their respective interests in the Company will not be diluted if they elect to take up in full of their provisional allotments under the Open Offer, we are of the opinion that, for the purposes of implementing the Open Offer as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole.

Shareholders should also note that the Open Offer is subject to the fulfillment of a number of conditions precedent, and may or may not proceed. Shareholders are reminded to exercise caution when dealing in the Shares.

RECOMMENDATION

Having taken into account the abovementioned factors and reasons, we are of the opinion that the terms the Open Offer (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Athens Capital Limited
Ross Cheung
Managing Director
Head of Corporate Finance

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Executive Director/
Deputy General Manager

* *for identification purpose only*

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for the three financial years ended 31 December 2010 extracted from the audited financial statements of the Group for each of the three financial years ended 31 December 2010. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 as extracted from the interim report dated 12 September 2011 issued by the Company is also set out below.

The auditors' opinion by Deloitte Touche Tohmatsu as set out in the annual reports of the Group for each of the three years ended 31 December 2010 was unqualified.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Revenue	268,263	209,713	350,816	231,475
Cost of sales	(153,165)	(128,567)	(181,375)	(142,235)
Direct operating costs	(32,132)	(31,790)	(40,378)	(19,434)
Gross profit	82,966	49,356	129,063	69,806
Other income	146	12,553	7,959	3,131
Other gains and losses	20,911	(2,435)	6,867	43,259
Impairment losses on assets *(Note 2)*	(261,296)	—	—	—
Gain on bargain purchase of acquisition of subsidiaries	—	—	13,405	—
Administrative expenses	(69,635)	(67,704)	(67,414)	(38,198)
Finance costs	(25,431)	(32,055)	(29,529)	(13,608)
Other expenses	(18,443)	—	(1,313)	—
Profit (loss) before tax	(270,782)	(40,285)	59,038	64,390
Income tax expense	31,032	(6,895)	(15,436)	(7,508)
Profit (loss) and total comprehensive income (expense) for the year/period	(239,750)	(47,180)	43,602	56,882
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:				
— Owners of the Company	(240,200)	(52,881)	35,529	58,851
— Non-controlling interests	450	5,701	8,073	(1,969)
	(239,750)	(47,180)	43,602	56,882
Earnings (loss) per share				
— Basic	(75.1) cents	(13.89) cents	5.71 cents	8.58 cents
— Diluted	(75.1) cents	(13.89) cents	5.65 cents	8.54 cents
Dividend per share *(Note 1)*	0	0	0	0

Notes:

1. The Company did not declare any dividend during each of the three years ended 31 December 2010 and the six months ended 30 September 2011.

2. Save as disclosed in the item "Impairment losses on assets" above, there were no exceptional items because of size, nature and incidence during each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December			For the six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current Assets				
Property, plant and equipment	179,880	193,748	202,670	184,684
Prepaid lease payments	2,884	2,633	2,504	2,439
Mining rights	1,158,096	1,140,244	1,507,303	1,240,012
Goodwill	482	482	482	482
Other intangible assets	100,824	84,235	63,938	51,134
Long term deposits	3,525	2,848	7,455	4,728
Other financial asset	26,921	22,449	23,604	—
	1,472,612	1,446,639	1,807,956	1,483,479
Current Assets				
Prepaid lease payments	232	208	208	208
Inventories	20,720	18,184	32,957	23,847
Trade and other receivables	18,196	18,038	68,720	90,228
Amounts due from related companies	17,053	26,864	32,392	30,621
Bank balances and cash	128,856	34,481	253,741	118,421
	185,057	97,775	388,018	263,325
Assets classified as held for sales	—	—	—	299,605
	185,057	97,775	388,018	562,930
Current Liabilities				
Trade and other payables	42,101	25,542	49,885	64,055
Amounts due to a related company	5,168	—	25,996	5,219
Amounts due to directors	352	352	344	257
Taxation payable	1,539	3,047	9,342	9,272
Promissory notes — due within one year	8,320	2,733	40,957	—
Bank borrowings — due within one year	53,465	61,460	250,262	280,488
Consideration payable for acquisition of subsidiaries	73,774	—	—	—
	184,719	93,134	376,786	359,291
Liabilities directly associate with assets classified as held for sales	—	—	—	65,878
	184,719	93,134	376,786	425,169
Net Current Assets	338	4,641	11,232	137,761
Total Assets Less Current Liabilities	1,472,950	1,451,280	1,819,188	1,621,240

	For the year ended 31 December			For the six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Capital and Reserves				
Share capital	33,122	33,122	64,773	64,874
Reserves	530,928	493,802	863,233	927,393
Equity attributable to owners of the Company	564,050	526,924	928,006	992,267
Non-controlling interests	127,005	126,184	271,745	209,765
Total equity	691,055	653,108	1,199,751	1,202,032
Non-current Liabilities				
Other payables	21,266	21,970	22,106	21,934
Amounts due to a related company	62,961	60,155	—	—
Promissory notes — due after one year	74,554	68,820	54,668	35,785
Bank borrowings — due after one year	319,924	274,620	87,592	—
Consideration payable for acquisition of subsidiaries	—	69,121	55,984	24,278
Provisions	1,862	2,037	2,496	250
Deferred tax liabilities	265,946	267,880	364,315	305,882
Deferred income	35,382	33,569	32,276	31,079
	781,895	798,172	619,437	419,208
	1,472,950	1,451,280	1,819,188	1,621,240

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	5	350,816	209,713
Cost of sales		(181,375)	(128,567)
Direct operating costs		(40,378)	(31,790)
Gross profit		129,063	49,356
Other income		7,959	12,553
Other gains and losses	7	6,867	(2,435)
Gain on bargain purchase of acquisition of subsidiaries	37	13,405	—
Administrative expenses		(67,414)	(67,704)
Finance costs	9	(29,529)	(32,055)
Other expenses	10	(1,313)	—
Profit (loss) before tax		59,038	(40,285)
Income tax expense	11	(15,436)	(6,895)
Profit (loss) and total comprehensive income (expense) for the year	12	43,602	(47,180)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		35,529	(52,881)
— Non-controlling interests		8,073	5,701
		43,602	(47,180)
Earnings (loss) per share	13		
— Basic		5.71 cents	(13.89) cents
— Diluted		5.65 cents	(13.89) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	**2010** *RMB'000*	**2009** *RMB'000*
Non-current Assets			
Property, plant and equipment	14	202,670	193,748
Prepaid lease payments	15	2,504	2,633
Mining rights	16	1,507,303	1,140,244
Goodwill	17	482	482
Other intangible assets	18	63,938	84,235
Long term deposits	19	7,455	2,848
Other financial asset	20	23,604	22,449
		1,807,956	1,446,639
Current Assets			
Prepaid lease payments	15	208	208
Inventories	21	32,957	18,184
Trade and other receivables	22	68,720	18,038
Amounts due from related companies	23	32,392	26,864
Bank balances and cash	24	253,741	34,481
		388,018	97,775
Current Liabilities			
Trade and other payables	25	49,885	25,542
Amounts due to a related company	23	25,996	—
Amounts due to directors	26	344	352
Taxation payable		9,342	3,047
Promissory notes — due within one year	27	40,957	2,733
Bank borrowings — due within one year	28	250,262	61,460
		376,786	93,134
Net Current Assets		11,232	4,641
Total Assets Less Current Liabilities		1,819,188	1,451,280

	Notes	2010 RMB'000	2009 RMB'000
Capital and Reserves			
Share capital	33	64,773	33,122
Reserves		863,233	493,802
Equity attributable to owners of the Company		928,006	526,924
Non-controlling interests		271,745	126,184
Total equity		1,199,751	653,108
Non-current Liabilities			
Other payables	25	22,106	21,970
Amounts due to a related company	23	—	60,155
Promissory notes — due after one year	27	54,668	68,820
Bank borrowings — due after one year	28	87,592	274,620
Consideration payable for acquisition of subsidiaries	29	55,984	69,121
Provisions	30	2,496	2,037
Deferred tax liabilities	31	364,315	267,880
Deferred income	32	32,276	33,569
		619,437	798,172
		1,819,188	1,451,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Retained profits (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note i)	*(note ii)*	*(note iii)*		*(note iv)*				
At 1 January 2009	33,122	487,322	21,477	157,178	22,722	15,065	(59,372)	(113,464)	564,050	127,005	691,055
(Loss) profit and total comprehensive (expense) income for the year	—	—	—	—	—	—	—	(52,881)	(52,881)	5,701	(47,180)
Release of non-distributable reserve upon disposal of subsidiaries	—	—	(802)	—	—	—	—	802	—	—	—
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(6,522)	(6,522)
Forfeiture of share options	—	—	—	—	—	(2,682)	—	2,682	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	6,077	—	—	6,077	—	6,077
Deemed contribution from the ultimate parent	—	—	—	—	8,062	—	—	—	8,062	—	8,062
Deemed contribution from a shareholder	—	—	—	—	1,616	—	—	—	1,616	—	1,616
Transfer	—	—	1,718	—	—	—	—	(1,718)	—	—	—
At 31 December 2009 and 1 January 2010	33,122	487,322	22,393	157,178	32,400	18,460	(59,372)	(164,579)	526,924	126,184	653,108
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	35,529	35,529	8,073	43,602
Deemed distribution to the ultimate parent from early repayment of non-current interest-free loan *(Note 23)*	—	—	—	—	(5,466)	—	—	—	(5,466)	—	(5,466)
Deemed distribution to a shareholder from early repayment of promissory notes *(Note 27)*	—	—	—	—	(4,217)	—	—	—	(4,217)	—	(4,217)
Deemed contribution from a shareholder *(Note 27)*	—	—	—	—	644	—	—	—	644	—	644
Acquisition of subsidiaries *(Note 37)*	—	—	—	—	—	—	—	—	—	93,000	93,000
Shares issued *(Note 33)*	31,290	343,661	—	—	—	—	—	—	374,951	—	374,951
Transaction cost attributable to issue of shares	—	(5,624)	—	—	—	—	—	—	(5,624)	—	(5,624)
Recognition of equity-settled share-based payments	—	—	—	—	—	1,962	—	—	1,962	—	1,962
Exercise of share options	361	4,718	—	—	—	(1,776)	—	—	3,303	—	3,303
Capital contribution from non-controlling interests *(note v)*	—	—	—	—	—	—	—	—	—	51,000	51,000
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(6,512)	(6,512)
Transfer	—	—	7,181	—	—	—	—	(7,181)	—	—	—
At 31 December 2010	64,773	830,077	29,574	157,178	23,361	18,646	(59,372)	(136,231)	928,006	271,745	1,199,751

notes:

(i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

(iii) The capital contribution represents deemed contribution from (distribution to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company. In prior period, a settlement deed was entered with the Vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from the ultimate parent;

(b) non-current interest-free loan granted and extension of their repayment date by Yue Da Enterprise. In prior years, the differences between the nominal value and the fair value of the non-current interest-free loans on their inception date and extension date were recognised as deemed contribution by the ultimate parent. During the year end 31 December 2010, the Group early repaid a portion of the loan with a nominal value of RMB41,220,000. A difference of RMB5,466,000 between the carrying value and the nominal value of this repaid portion of loan on the date of repayment has been recognised as a deemed distribution to Jiangsu Yue Da. Details are set out in Note 23;

(c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long is a shareholder of the Company, the non-controlling shareholder of the Company's mining subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"). Mr. Yang Long had significant influence over the mining subsidiaries of the Company until 1 October 2010 and therefore he and his affiliates were related parties of the Company until 1 October 2010. This relationship ceased from 1 October 2010 onwards. Pursuant to Rule 1.01 of the Listing Rules, Mr. Yang Long was also a substantial shareholder of the Company until 28 July 2009. Therefore Mr. Yang Long ceased to be a connected party of the Company from 28 July 2009 onwards. In prior years, the differences of the carrying value and the fair value of the promissory notes on their inception date and extension dates were recognised as a deemed contribution by a shareholder. During the year ended 31 December 2010, the Group early repaid a portion of the promissory notes with a nominal value of RMB59,699,000 and Feilong Holdings Limited ("Feilong Holdings"), a company controlled by Mr. Yang Long, agreed to extend the repayment date of the remaining portion with a nominal value of RMB17,196,000 to 1 July 2012. A difference of RMB4,217,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment and the difference of RMB644,000 between the carrying value and the fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the extended portion of promissory notes at the date of extension has been recognised as a deemed distribution to a shareholder and a deemed capital contribution from a shareholder, respectively. Details are set out in Note 27.

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired.

(v) This represents the non-controlling interest share of Liangshan Prefecture Yuechuan Mining Co., Limited ("Liangshan") which was incorporated on 8 July 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	59,038	(40,285)
Adjustments for:		
Amortisation of mining rights	36,090	22,111
Finance costs	29,529	32,055
Depreciation of property, plant and equipment	27,024	23,589
Amortisation of other intangible assets	20,297	16,589
Share-based payment expenses	1,962	6,077
Release of prepaid lease payments	129	140
Loss on disposal of property, plant and equipment	18	1,316
Gain on disposal of subsidiaries	—	(1,358)
Gain on bargain purchase of acquisition of subsidiaries	(13,405)	—
Net income arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries	(4,007)	(10,626)
Interest income	(1,972)	(114)
Imputed interest income on deferred income	(1,293)	(1,813)
(Gain) loss from change in fair value of financial asset designated as at fair value through profit or loss	(1,155)	4,472
Operating cash flows before movements in working capital	152,255	52,153
Increase in long term deposits	(4,607)	—
(Increase) decrease in inventories	(10,502)	2,057
Increase in trade and other receivables	(49,651)	(344)
(Increase) decrease in amounts due from related companies	(5,123)	9,637
Increase (decrease) in trade and other payables	9,024	(20,733)
Cash generated from operations	91,396	42,770
Income tax paid	(10,039)	(4,254)
NET CASH FROM OPERATING ACTIVITIES	81,357	38,516

		2010	2009
		RMB'000	*RMB'000*
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired of)	37	**(95,676)**	—
Purchase of property, plant and equipment		**(23,152)**	(42,298)
Advance to related companies		**(405)**	(19,448)
Interest received		**1,972**	114
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	38	**380**	5,920
Proceeds from disposal of property, plant and equipment		**46**	363
NET CASH USED IN INVESTING ACTIVITIES		**(116,835)**	(55,349)
FINANCING ACTIVITIES			
Proceeds on open offer of new shares		**343,922**	—
Bank borrowings raised		**167,052**	80,000
Capital contribution from non-controlling interest		**51,000**	—
Proceeds from issue of shares upon exercise of share options		**3,303**	—
Repayment of bank borrowings		**(165,278)**	(116,844)
Repayment of promissory notes		**(59,699)**	(13,786)
Repayment to related companies		**(42,264)**	(5,168)
Interest paid		**(14,136)**	(14,854)
Repayment of consideration payable		**(13,318)**	—
Dividend paid to non-controlling shareholders		**(6,512)**	(6,522)
Transaction cost attributable to issue of shares		**(5,624)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**258,446**	(77,174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**222,968**	(94,007)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**34,481**	128,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(3,708)**	(368)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		**253,741**	34,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the Company's parent is Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a company incorporated in Hong Kong with limited liability, and the Company's ultimate parent is Jiangsu Yue Da, a state-owned enterprise established with limited liability in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) exploration, mining and processing of zinc, lead, copper, iron and gold; and (ii) management and operation of toll highway and bridge in the PRC.

As all of the Group's operations are in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. 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 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of the equity interest in Absolute Apex Limited ("Absolute Apex") and its subsidiaries, Ample Source Investment Limited ("Ample Source") and Tong Ling Guan Hua Mining Company Limited ("Tong

Ling Guan Hua"), the Group has elected to measure the non-controlling interest at the proportionate share of Absolute Apex and its subsidiaries' net identifiable assets at the date of acquisition, accordingly, it has had no impact on the results and the financial position of the Group.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition and the end of the reporting period, accordingly, it has had no material impact of the results and the financial position of the Group.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. As a result, the Group has recognised such costs of RMB1,313,000 as an expense which included in "other expenses" in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition.

In current year, the application of HKFRS3 (as revised in 2008) has had no impact on the results and financial position of the Group.

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. The Group have early adopted the amendments and the offer of rights by the Company to its shareholder on 4 March 2010 was then accounted for as an equity instrument, as required by the amendments, in the consolidated financial statement of the Group. The early adoption of the amendment has resulted in an increase in the profit for the year of RMB5,595,000 being the fair value loss of the derivatives.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. 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.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January 2010 based on information that existed at the inception of the leases. The adoption of the amendment to HKAS 17 "Leases" has had no impact on the results and financial position of the Group.

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 ("repayment on demand clause") 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.

As at 31st December 2010, bank borrowings with a repayment on demand clause with the aggregate carrying amount of RMB106,652,000 (2009: Nil) are included in current liabilities. No reclassification is required in the consolidated statement of financial position. The directors of the Company consider that the application of HK Int 5 had no impact on the consolidated financial statements of the Group for the current or prior accounting periods.

The consolidated statement of financial position as at 1 January 2009 has not been presented as the application of the new and revised Standards and Interpretation had no impact on the consolidation statement of financial position as at 31 December 2009 and as at 1 January 2009.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current year by line items are as follows:

	RMB'000
Increase in other expense	(1,313)
Decrease on gain on bargain purchase of acquisition of subsidiaries	1,313
Decrease on loss on derivative financial instruments	5,595
Increase in profit for the year	5,595

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current year are as follows:

Impact on basic and diluted earnings per share

	RMB'000
Figures before adjustments	29,934
Adjustments arising from the changes in the Group's accounting policies in relation to:	
— business combination	—
— right issue	5,595
Figures after adjustments	35,529

	Impact on basic earnings per share	Impact on diluted earnings per share
	RMB cents	*RMB cents*
Figures before adjustments	4.81	4.76
Adjustments arising from the changes in the Group's accounting policies in relation to:		
— business combination	—	—
— right issue	0.90	0.89
Figures after adjustments	5.71	5.65

New and revised Standards and Interpretation issued but not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008)[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 January 2011.

Except for early application of HKAS 32 (Amendment), the Group has not early applied other new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

  HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

  The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. The directors do not anticipate that the application of the new Standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

  The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. 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 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognised in profit or loss.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Other intangible assets

Other intangible assets, which represent the cost incurred to obtain the right to operate a highway and bridge infrastructure, are stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of other intangible assets over the remaining concessionary period of the toll highway and bridge, using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at FVTPL and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL are those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including interest-bearing long term deposits, trade and other receivables, amounts due from related companies and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that loans and receivables is impaired, and is measured as the difference between loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to a related company/directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instrument is recognised and deducted directly in equity. No gain or loss is recognised in profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

The Group is required to make payments for restoration and rehabilitation of certain land after the underground sites have been mined. Provision for restoration, rehabilitation and environmental cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows estimated to settle the present obligation. Its carrying amount is the present value of those cash flows (where the effect is material).

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants related to imputed interest portion of non-current mining fee payables are presented as deferred income and are released to income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Toll revenue is recognised on receipt.

Revenue from sale of goods are recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at FVTPL is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases where substantially all the risks and rewards of ownerships of assets remain with the lessors are accounted as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium.

At the time when the Group modifies the terms and conditions of the share options previously granted, if the modification increases the fair value of the equity instruments granted measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of mining rights

The Group's management determines the estimated useful lives of 8 to 25 years for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of one to eight years. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Amortisation rates are determined based on estimated proven and probable mine reserve volume with reference to the independent technical assessment report. The estimates involve subjective judgements in developing such information and have taken into account the technical information about each mine. The capitalised cost of mining rights are amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of those mining rights. Management will reassess the useful lives whenever the ability to renew the mining rights and business licences is changed. As at 31 December 2010, the carrying amount of mining right was RMB1,507,303,000 (2009: RMB1,140,244,000).

Operation period of toll highway and bridge

The operating period granted to the Group in respect of its toll highway and bridge will end in 2013. The Group is currently negotiating with relevant authorities to extend the operating period for a further 10 years to end of 2023. The operation rights of the toll highway and bridge is being amortised on the basis that the operating period will end in 2013. Should there be an extension of the operating period, the basis of the amortisation will be revised. As at 31 December 2010, the carrying amount of other intangible assets was RMB63,938,000 (2009: RMB84,235,000).

Fair value of other financial assets

Other financial assets are valued using a discounted cash flow model, based on the estimated distributable profits of Baoshan Feilong discounted using the applicable prevailing market rate. The estimation of distributable profits involves assumptions, such as selling quantities and market prices of minerals. Should there be significant changes in these assumptions or prevailing market rate, the fair value of other financial assets will change from period to period. As at 31 December 2010, the carrying amount of other financial assets was RMB23,604,000 (2009: RMB22,449,000).

Provisions for restoration, rehabilitation and environmental costs

Provisions for restoration, rehabilitation and environmental costs are discounted to their present value where the effect is material. However, significant changes in the regulations in relation to such costs will result in changes to the provision amounts from period to period. As at 31 December 2010, the carrying amount of provisions was RMB2,496,000 (2009: RMB2,037,000).

Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination is valued using a discounted cash flow model, based on the estimated compensation received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on i) the estimated profits of Tong Ling Guan Hua attributable to the Group; ii) weight average unit selling price of the gold and; iii) the quantity of gold produced by Tong Ling Guan Hua.

The estimation of compensation involves assumptions, such as selling quantities, market prices of minerals and the unit of production of Tong Ling Guan Hua. Should there be significant changes in these assumptions or prevailing market rate, the fair value of contingent consideration arising from business combination will change from period to period.

5. 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:

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

6. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM") 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 31 December 2010

	Mining Operations *RMB'000*	Toll road Operations *RMB'000*	Consolidated *RMB'000*
REVENUE			
External sales	286,293	64,523	350,816
Segment profit	61,484	14,721	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 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			59,038

For the year ended 31 December 2009

	Mining Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	154,116	55,597	209,713
Segment profit (loss)	(16,770)	16,899	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			(40,285)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. 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.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

Other segment information

Amounts included in the measure of segment profit (loss):

For the year ended 31 December 2010

	Mining Operations RMB'000	Toll Road Operations RMB'000	Segment Total RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	62,454	21,053	83,507	33	83,540

For the year ended 31 December 2009

	Mining Operations *RMB'000*	Toll Road Operations *RMB'000*	Segment Total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation and amortisation	45,038	17,358	62,396	33	62,429

Revenue from major products and services

The analysis of the Group's revenues from its major products and services are set out in Note 5.

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.

Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group are as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Customer A *(note i)*	84,121	*(note ii)*
Customer B *(note i)*	53,683	42,321
Customer C *(note i)*	*(note ii)*	47,907

notes:

(i) The above customers are related to mining operations.

(ii) The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. OTHER GAINS AND LOSSES

	2010 *RMB'000*	**2009** *RMB'000*
Net foreign exchange gains	5,730	1,995
Gain (loss) from change in fair value of financial asset designated as at FVTPL *(Note 20)*	1,155	(4,472)
Loss on disposal of property, plant and equipment	(18)	(1,316)
Gain on disposal of subsidiaries *(Note 38)*	—	1,358
	6,867	(2,435)

8. DIRECTORS AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the nine (2009: nine) directors were as follows:

2010

	Executive directors		Non-executive directors							
	Mr. Dong Li Yong	Mr. Liu Xiaoguang	Mr. Chen Yunhua	Mr. Qi Guangya	Mr. Cai Chuan Bing	Ms. Leung Mei Han	Mr. Cui Shuming	Mr. Han Runsheng	Dr. Liu Yongping	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(note ii)				*(note i)*	
Fees	—	—	—	—	130	217	217	130	76	770
Other emoluments										
Salaries and other benefits	1,136	—	—	—	—	—	—	—	—	1,136
Contributions to retirement benefits schemes	145	—	—	—	—	—	—	—	—	145
Share-based payments	—	—	1,187	—	—	—	—	—	—	1,187
Total emoluments	1,281	—	1,187	—	130	217	217	130	76	3,238

2009

	Executive directors			Non-executive directors						
	Mr. Hu You Lin	Mr. Dong Li Yong	Mr. Liu Xiaoguang	Mr. Chen Yunhua	Mr. Qi Guangya	Mr. Cai Chuan Bing	Ms. Leung Mei Han	Mr. Cui Shuming	Mr. Han Runsheng	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note iii)			*(note iv)*						
Fees	—	—	—	—	—	132	220	220	132	704
Other emoluments										
Salaries and other benefits	705	1,241	—	—	—	—	—	—	—	1,946
Contributions to retirement benefits schemes	—	124	—	—	—	—	—	—	—	124
Share-based payments	931	444	339	—	209	—	—	—	—	1,923
Total emoluments	1,636	1,809	339	—	209	132	220	220	132	4,697

notes:

(i) This director was appointed on 15 June 2010.

(ii) This director resigned on 26 May 2010.

(iii) This director deceased on 28 August 2009.

(iv) This director was appointed on 13 November 2009.

Of the five individuals with the highest emoluments in the Group, two (2009: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2009: three) individuals, none of which exceeded HK$1,000,000 individually, was as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Salaries and other benefits	944	1,014
Contributions to retirement benefits schemes	43	58
Share-based payments	—	888
	987	1,960

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

9. FINANCE COSTS

	2010	**2009**
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	11,215	9,890
Effective interest on promissory notes	7,629	7,339
Imputed interest on:		
— non-current interest-free amount due to a related company	2,268	5,260
— consideration payable for acquisition of subsidiaries *(Note 29)*	5,600	6,121
— other payables *(Note 25)*	1,292	1,813
— provisions *(Note 30)*	229	175
Bank loan arrangement fees	1,296	1,457
	29,529	32,055

10. OTHER EXPENSES

Other expenses represent acquisition-related costs of RMB1,313,000 in relation to the acquisition of subsidiaries as set out in Note 37.

11. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
— current year	16,202	5,559
— underprovision in prior years	27	203
	16,229	5,762
Deferred tax *(Note 31)*		
— current year	(793)	1,133
	15,436	6,895

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. ("San Xiang"), Weng Niu Te Qi Xiang Da Mining Co., Ltd. ("Xiang Da"), Chi Feng Yi Da Mining Co., Ltd. ("Yi Da"), Tong Ling Guan Hua and Liangshan is 25% from 1 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, Yaoan Feilong Mining Co., Ltd. ("Yaoan") and Tengchong Ruitu Mining and Technology Company ("Tengchong"), 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 31 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 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 31 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.

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit (loss) before tax	59,038	(40,285)
Tax at the domestic income tax rate of 15% *(note)*	8,856	(6,043)
Tax effect of expenses not deductible for tax purpose	4,405	7,243
Effect of tax reduction/exemption granted to PRC subsidiaries	(6,214)	(1,291)
Tax effect of income not taxable for tax purpose	(4,797)	(1,858)
Underprovision in prior years	27	203
Tax effect of tax losses not recognised	2,251	3,420
Utilisation of tax losses previously recognised	(137)	—
Deferred tax provided on dividends withholding tax on PRC subsidiaries	6,889	726
Effect of different tax rates of subsidiaries	4,156	4,495
Income tax expense	15,436	6,895

note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

12. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Cost of inventories sold	181,375	128,567
Employee benefit expense, including directors' remuneration *(Note 8)* and share-based payment expense *(Note 34)*	59,467	56,813
Amortisation of mining rights (included in cost of sales)	36,090	22,111
Depreciation of property, plant and equipment	27,024	23,589
Amortisation of other intangible assets (included in direct operating costs)	20,297	16,589
Auditors' remuneration	2,183	2,000
Release of prepaid lease payments	129	140
and after crediting:		
Net income arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries *(Note 29)*	4,007	10,626
Interest income from bank deposits	1,972	114
Imputed interest income on deferred income *(Note 32)*	1,293	1,813

13. 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:

	2010 RMB'000	2009 RMB'000
Earnings (loss)		
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	35,529	(52,881)

	2010	2009 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	622,537,830	380,769,670
Effect of dilutive potential ordinary shares — share options	5,878,913	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	628,416,743	380,769,670

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
At 1 January 2009	49,454	24,917	46,320	88,430	10,992	10,793	31,567	262,473
Additions	—	905	1,545	5,970	382	535	32,961	42,298
Disposals	—	—	—	(1,662)	(404)	(473)	—	(2,539)
Disposed upon disposal of subsidiaries *(Note 38)*	(4,149)	—	—	(2,570)	—	(561)	(2,843)	(10,123)
Transfer	197	769	—	104	—	—	(1,070)	—
At 31 December 2009	45,502	26,591	47,865	90,272	10,970	10,294	60,615	292,109
Additions	—	635	9,376	4,104	687	1,106	7,244	23,152
Acquired on acquisition of subsidiaries *(Note 37)*	—	—	—	7,576	37	—	5,245	12,858
Disposals	—	—	—	—	(114)	(368)	—	(482)
Transfer	2,173	819	31,472	36	—	—	(34,500)	—
At 31 December 2010	47,675	28,045	88,713	101,988	11,580	11,032	38,604	327,637
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	14,190	2,502	16,754	26,604	5,921	3,333	13,289	82,593
Charge for the year	2,096	1,171	8,397	8,049	1,992	1,884	—	23,589
Eliminated on disposals	—	—	—	(355)	(247)	(258)	—	(860)
Eliminated upon disposal of subsidiaries	(2,918)	—	—	(1,925)	—	(230)	(1,888)	(6,961)
At 31 December 2009	13,368	3,673	25,151	32,373	7,666	4,729	11,401	98,361
Charge for the year	2,284	1,355	9,892	9,214	2,214	2,065	—	27,024
Eliminated on disposals	—	—	—	—	(87)	(331)	—	(418)
At 31 December 2010	15,652	5,028	35,043	41,587	9,793	6,463	11,401	124,967
CARRYING VALUE								
At 31 December 2010	32,023	23,017	53,670	60,401	1,787	4,569	27,203	202,670
At 31 December 2009	32,134	22,918	22,714	57,899	3,304	5,565	49,214	193,748

The buildings are situated in the PRC under medium-term leases.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Buildings	Over the shorter of 20 years or the concessionary period of the toll highway and bridge
Leasehold improvement	Over the shorter of 20 years or the concessionary period of the toll highway and bridge
Mining shafts	5 years
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

Certain buildings of the Group are erected in the PRC with respect to which the Group had not been granted formal title of ownership. As at 31 December 2010, the carrying value of such buildings amounted to RMB26,237,000 (2009: RMB27,470,000). In the opinion of directors, the absence of formal title does not impair the value of the relevant buildings. The directors also believe that formal title of these buildings will be granted to the Group in due course.

15. PREPAID LEASE PAYMENTS

	2010	**2009**
	RMB'000	*RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	2,712	2,841
Analysed for reporting purposes as:		
Current asset	208	208
Non-current asset	2,504	2,633
	2,712	2,841

As at 31 December 2010, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB979,000 (2009: RMB1,000,000). In the opinion of directors, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title of these land use rights will be granted to the Group in due course.

16. MINING RIGHTS

	RMB'000
COST	
At 1 January 2009	1,431,106
Addition	4,404
Disposed upon disposal of subsidiaries *(Note 38)*	(400)
At 31 December 2009	1,435,110
Acquired on acquisition of subsidiaries *(Note 37)*	403,149
At 31 December 2010	1,838,259
AMORTISATION AND IMPAIRMENT	
At 1 January 2009	273,010
Charge for the year	22,111
Eliminated upon disposal of subsidiaries *(Note 38)*	(255)
At 31 December 2009	294,866
Charge for the year	36,090
At 31 December 2010	330,956
CARRYING VALUE	
At 31 December 2010	1,507,303
At 31 December 2009	1,140,244

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one to eight years. Other than a mining right in Inner Mongolia county in the PRC (the "Daxin Mining Right") with a carrying value at 31 December 2010 of RMB3,253,000 which officially expired in June 2010, the Group's mining rights are expiring in the period from December 2011 to December 2014. In the opinion of the directors, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

Up to the date of this report, the application of renewal of Daxin Mining Right is still in progress. The directors are of the opinion that such approval will be granted to the Group in due course.

The mining rights are amortised over a period between 8 and 25 years using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

17. GOODWILL

	RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	10,533
IMPAIRMENT	
At 1 January 2009, 31 December 2009 and 2010	(10,051)
CARRYING VALUE	
At 31 December 2009 and 2010	482

As at 31 December 2010, for the purpose of impairment testing, the recoverable amount of the CGU relating to the goodwill attributable to the Toll Road Operation has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period and a discount rate of 18% (2009: 18%) per annum. The key assumption for the value in use calculation relates to the forecast traffic flows. Management of the Group has determined that there is no impairment of the CGU containing goodwill.

18. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	247,798
AMORTISATION	
At 1 January 2009	(146,974)
Provided for the year	(16,589)
At 31 December 2009	(163,563)
Provided for the year	(20,297)
At 31 December 2010	(183,860)
CARRYING VALUE	
At 31 December 2010	63,938
At 31 December 2009	84,235

The operating rights of toll highway and bridge were granted by the Hebei Provincial Government to the Group for 16 years, which is from 1997 to 2013. During the concessionary period, the Group has the rights of operation and management of Wen An section of National Highway 106 and the toll-collection rights thereof. The Group is required to manage and operate the toll highway and bridge in accordance with the regulations promulgated by the Ministry of Transport of the PRC and relevant government authorities. Upon the end of the respective concession service period, the toll highway and bridge and their toll station facilities will be returned to the grantor at nil consideration.

The Group's right to operate the toll highway and bridge is amortised over the remaining concessionary period of the toll highway and bridge, using the straight-line method.

The Group is currently negotiating with relevant authorities to extend the operation period for a further 10 years to end in 2023. Up to the date of approval of these financial statements, the applications with the relevant governmental authorities for toll collection are still in progress.

19. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.36% (2009: 0.36%) per annum. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

20. OTHER FINANCIAL ASSET

	2010	**2009**
	RMB'000	*RMB'000*
Financial asset designated as at FVTPL	23,604	22,449

During the year ended 31 December 2008, the Group entered into an agreement with Mr. Yang Long and his affiliates, pursuant to which the Group had agreed to pay the mining fees on behalf of Mr. Yang Long and his affiliates in exchange for (a) the transfer by Mr. Yang Long and his affiliates of their distributable profits in Baoshan Feilong for the period from 2008 to 2015 to the Group; and (b) RMB5,000,000 cash paid by Mr. Yang Long and his affiliates to the Group. Accordingly, the Group recognised a financial asset designated as at FVTPL of RMB23,604,000 in connection with the right to share of profit of Baoshan Feilong for the period from 2008 to 2015. Any excess or shortfall of the estimated distributable profit of Baoshan Feilong to the Group given up by Mr. Yang Long and his affiliates will not be repaid to or recovered from them. At initial recognition, the financial asset was measured based on the estimated distributable profit of Baoshan Feilong given up by Mr. Yang Long and his affiliates at an effective interest rate of 23% per annum. At the end of the reporting period, the fair value of the financial asset varies depending on the estimated distributable profit of Baoshan Feilong and the effective interest rate of 25% (2009: 26%) per annum. The change in fair value of RMB1,155,000 (2009: RMB4,472,000) has been credited (2009: charged) to profit or loss during the year ended 31 December 2010.

21. INVENTORIES

	2010	**2009**
	RMB'000	*RMB'000*
Raw materials and consumables	19,624	10,722
Finished goods	13,333	7,462
	32,957	18,184

22. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	59,078	6,156
Bill receivables	3,000	—
	62,078	6,156
Other receivables	6,642	11,882
	68,720	18,038

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*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	59,078	6,156	—	—
60–90 days	—	—	3,000	—

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 31 December 2010, the entire trade receivable balance was neither past due nor impaired and had no default record based on historical information.

23. AMOUNTS DUE FROM/TO A RELATED COMPANY

	Due from	
	2010	2009
	RMB'000	*RMB'000*
Langfang Municipal Communications Bureau ("Langfang Bureau") and its affiliate *(note i)*	23,010	23,411
Yue Da Enterprise and its affiliate	422	2,448
Mr. Yang Long and his affiliates	—	1,005
Pingchuan Iron Mining Company *(note ii)*	8,960	—
	32,392	26,864
Trade nature	12,539	7,416
Non-trade nature	19,853	19,448
	32,392	26,864

The Group allows its related companies an average credit period of 60 days. The following is an aged analysis of amounts due from related companies which are principally trade nature based on the invoice date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
0–60 days	12,539	7,416

At the end of the reporting period, the entire balances due from related companies were neither past due nor impaired and had no default record based on historical information.

	Due to	
	2010	2009
	RMB'000	*RMB'000*
Non-trade nature		
Current		
Yue Da Enterprise *(note iii)*	25,996	—
	25,996	—
Non-current		
Yue Da Enterprise *(note iv)*	—	60,155
	25,996	60,155

The Group has financial risk management policies in place to ensure that all payables are within the allowable credit period. The Group's amounts due to related companies that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2010	2009
	RMB'000	*RMB'000*
Hong Kong Dollars ("HKD")	25,996	60,155

notes:

(i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda.

(ii) Pingchuan Iron Mining Company is a non-controlling shareholder of the Company's subsidiary, Liangshan.

(iii) The amounts were unsecured, interest-free and repayable on demand.

(iv) The amount is unsecured, interest-free and repayable on 1 July 2011. During the year, the Group early repaid a portion of the loan with a nominal value of RMB41,220,000. A difference of RMB5,466,000 between the carrying value and the nominal value of this repaid portion of loan on the date of repayment has been recognised as a deemed distribution to Jiangsu Yue Da.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.36% (2009: 0.01% to 0.36%) per annum.

The Group's bank balances and cash that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2010	**2009**
	RMB'000	*RMB'000*
HKD	128,291	4,910

25. TRADE AND OTHER PAYABLES

	2010	**2009**
	RMB'000	*RMB'000*
Current		
Trade payables	5,597	3,880
Other payables *(note)*	44,288	21,662
	49,885	25,542
Non-current		
Other payables *(note)*	22,106	21,970
	71,991	47,512

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010	**2009**
	RMB'000	*RMB'000*
0–60 days	5,597	3,880

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period.

note: As at 31 December 2010, included in the other payables is a mining fee payable of RMB30,176,000 (2009: RMB28,884,000) in which RMB22,106,000 (2009: RMB21,970,000) is non-current portion and RMB8,070,000 (2009: RMB6,914,000) is classified as current. It is unsecured, interest-free and repayable in accordance with the requirement of the PRC rules and regulations in which its payment method is based on the annual actual extraction volume. The fair value of non-current mining fee payable at initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum, the difference of RMB35,382,000 was considered as government grant and was recognised as deferred income (see Note 32).

26. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. The entire amounts are denominated in HKD, a currency other than the functional currency of the relevant group entity.

27. PROMISSORY NOTES

	2010	2009
	RMB'000	*RMB'000*
Promissory notes		
Feilong Holdings *(note i)*	16,999	71,553
Bright Harvest Holdings Limited ("Bright Harvest") *(note ii)*	78,626	—
	95,625	71,553
Analysed as:		
Current	40,957	2,733
Non-current	54,668	68,820
	95,625	71,553

notes:

(i) The promissory notes were issued to Feilong Holdings, a company beneficially owned by Mr. Yang Long, and are unsecured, carry at a fixed interest rate of 3.5% (2009: 3.5%) per annum and repayable on the following terms:

	2010	2009
	RMB'000	*RMB'000*
Amount repayable:		
Within one year	—	2,733
More than one year, but not more than two years	16,999	48,720
More than two years, but not more than five years	—	20,100
	16,999	71,553

During the year ended 31 December 2010, the Group early repaid a portion of the promissory notes with a nominal value of RMB59,699,000 and Feilong Holdings agreed to extend the repayment date of the remaining portion with a nominal value of RMB17,196,000 to 1 July 2012. A difference of RMB4,217,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment and the difference of RMB644,000 between the carrying value and the fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the extended portion of promissory notes at the date of extension has been recognised as a deemed distribution to a shareholder and a deemed capital contribution from a shareholder, respectively.

(ii) On 30 June 2010, the Company issued a promissory note comprising two tranches, each with a principal sum of RMB43,825,000, as part of the consideration for the Acquisition as disclosed in Note 37.

The promissory note is unsecured and interest-free. The first tranche is repayable on 31 July 2011 and the second tranche on 31 July 2012. The fair value of these two tranches on the date of issue are RMB40,033,000 and RMB36,820,000, respectively, determined using cash flows discounted at an effective rate of 8.7% per annum.

An analysis of the promissory note is as follows:

	2010
	RMB'000
Amount repayable:	
Within one year	40,957
More than one year, but not more than two years	37,669
	78,626

The entire balance is denominated in HKD, a currency other than the functional currency of the relevant group entity.

28. BANK BORROWINGS

	2010	**2009**
	RMB'000	*RMB'000*
Bank loans		
Secured	151,002	176,080
Unsecured	186,852	160,000
	337,854	336,080
The floating-rate bank loans are repayable*:		
Within one year	143,610	61,460
More than one year, but not exceeding two years	87,592	184,929
More than two years, but not exceeding five years	—	89,691
	231,202	336,080
Carrying amount of bank loans that are repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	106,652	—
	337,854	336,080
Less: Amount due within one year shown under current liabilities	(250,262)	(61,460)
	87,592	274,620

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

Bank borrowings comprise:

	Maturity date	Effective interest rate	Repayment terms	Carrying amount 2010 RMB'000	Carrying amount 2009 RMB'000
HKD bank loan at Hong Kong Interbank Offer Rate ("HIBOR") plus 1%	26 June 2012	1.17%	In eight semi annual installments commencing on 26 December 2008 to 26 June 2012	151,002	176,080
HKD bank loan at HIBOR plus 1%	3 December 2011	1.18%	In full on 3 December 2011	66,852	—
RMB bank loan at 105% of The People's Bank of China Base Lending Rate ("PBCBLR")	29 December 2011	6.14%	By two installments on 29 December 2010 and 29 December 2011	40,000	80,000
RMB bank loan at 100% of PBCBLR	31 March 2011	5.81%	In full on 31 March 2011	—	40,000
RMB bank loan at 100% of PBCBLR	2 September 2011	5.81%	In full on 2 September 2011	—	20,000
RMB bank loan at 100% of PBCBLR	22 December 2011	5.31%	In full on 22 December 2011	—	20,000
RMB bank loan at 105% of PBCBLR	10 February 2011	5.62%	In full on 10 February 2011	9,800	—
RMB bank loan at 105% of PBCBLR	13 February 2011	5.62%	In full on 13 February 2011	15,000	—
RMB bank loan at 105% of PBCBLR	20 February 2011	5.62%	In full on 20 February 2011	10,000	—
RMB bank loan at 100% of PBCBLR	13 April 2011	6.0%	In full on 13 April 2011	10,000	—
RMB bank loan at 100% of PBCBLR	4 May 2011	6.0%	In full on 4 May 2011	10,000	—
RMB bank loan at 110% of PBCBLR	29 December 2011	6.39%	In full on 29 December 2011	20,000	—
RMB bank loan at 110% of PBCBLR	28 October 2011	6.39%	In full on 28 October 2011	5,000	—
RMB bank loan at 110% of PBCBLR	30 June 2011	6.39%	In full on 30 June 2011	200	—
				337,854	336,080

As at 31st December 2010, the HKD bank loans with carrying amount of RMB151,002,000 (2009: RMB176,080,000) are secured by the Company's equity interests in certain subsidiaries and the RMB bank loans with carrying amount of RMB80,000,000 (2009: RMB160,000,000) are guaranteed by Jiangsu Yue Da.

The Group's bank borrowing that is denominated in a currency other than the functional currency of the relevant group entities is set out below:

	2010	2009
	RMB'000	*RMB'000*
HKD	217,854	176,080

29. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

In March 2008, the Group completed the acquisition of certain subsidiaries and the outstanding consideration of RMB78,228,000, which is unsecured and interest-free, was payable on 1 July 2011. During the year ended 31 December 2010, the Group early repaid a portion of consideration with a nominal value of RMB13,318,000 and the vendor agreed to extend the repayment date of the remaining portion of consideration with a nominal value of RMB64,910,000 to 1 July 2012. A difference of RMB1,006,000 between the carrying value and the nominal value of the repaid portion of consideration at the date of repayment and the difference of RMB5,013,000 between the carrying value and fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the extended portion of consideration at the date of extension has been recognised in other income in the consolidated statement of comprehensive income.

30. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1 January 2009	1,862
Imputed interest	175
At 1 January 2010	2,037
Acquired on an acquisition of a subsidiary	230
Imputed interest	229
At 31 December 2010	2,496

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and mine closures for certain of the Group's existing mines. The provision for restoration, rehabilitation and environmental costs were determined by the directors based on their best estimates and recognised on its initial recognition at an effective interest rate of 8.7% per annum.

31. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereof during the current and prior years:

	Fair value adjustment on mining rights	Decelerated tax depreciation	Amortisation of other intangible assets	Dividends withholding tax	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	263,545	(9,284)	6,693	4,992	265,946
Eliminated upon disposal of subsidiaries *(Note 38)*	—	801	—	—	801
(Credit) charge to profit or loss	(612)	1,019	—	726	1,133
At 1 January 2010	262,933	(7,464)	6,693	5,718	267,880
Acquisition of subsidiaries *(Note 37)*	97,228	—	—	—	97,228
(Credit) charge to profit or loss	(4,077)	(2,678)	(927)	6,889	(793)
At 31 December 2010	356,084	(10,142)	5,766	12,607	364,315

At the end of the reporting period, the Group had unused tax losses of approximately RMB53,877,000 (2009: RMB39,800,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB168,363,000 (2009: RMB85,745,000).

32. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fees payables (Note 25). The amount will be released to income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

33. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	*RMB'000*
Ordinary shares of HK$0.10 each:			
Authorised			
At 1 January 2009, 31 December 2009 and 2010	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1 January 2009, 1 January 2010	325,569,333	32,557	33,122
Open offer *(note)*	325,869,333	32,587	28,660
Exercise of share options	4,116,262	412	361
Issue in consideration of subsidiaries *(Note 37)*	30,000,000	3,000	2,630
At 31 December 2010	685,554,928	68,556	64,773

note: On 4 March 2010, the Company completed an open offer of 325,869,333 shares (the "Open Share") on the basis of one Open Share for every existing share, at the subscription price of HK$1.2 (equivalent to RMB1.06) each per share. The proceeds are used for general working capital and possible future development of mining sites.

34. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 12 November 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and will expire on 11 November 2011. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

As at 31 December 2010, the number of shares in respect of which options were outstanding under the Scheme was 17,405,675 (2009: 16,000,000), representing 3% (2009: 5%) of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by directors and employees during the year:

	Date of grant	Exercise price per share HK$ (note)	Exercisable period	Outstanding at 1 January 2010	Exercised before adjustment during the year	Adjustment during the year (note)	Exercised after adjustment during the year	Granted during the year	Forfeiture during the year	Outstanding at 31 December 2010
Directors of the Company	27 May 2009	0.9063	28 May 2009 to 26 May 2019	1,300,000	—	220,415	(818,685)	—	—	701,730
	9 July 2009	0.9063	9 July 2009 to 24 May 2018	3,900,000	(300,000)	610,380	(2,105,190)	—	—	2,105,190
	19 April 2010	1.716	20 April 2010 to 19 April 2020	—	—	—	—	1,500,000	—	1,500,000
				5,200,000	(300,000)	830,795	(2,923,875)	1,500,000	—	4,306,920
Employees	27 May 2009	0.9063	28 May 2009 to 26 May 2019	4,590,000	—	778,235	(422,214)	—	—	4,946,021
	9 July 2009	0.9063	9 July 2009 to 24 May 2018	6,210,000	—	1,052,907	(470,173)	—	—	6,792,734
	19 April 2010	1.716	20 April 2010 to 19 April 2020	—	—	—	—	980,000	(280,000)	700,000
	19 April 2010	1.716	20 April 2011 to 19 April 2020	—	—	—	—	360,000	(210,000)	150,000
	19 April 2010	1.716	20 April 2012 to 19 April 2020	—	—	—	—	360,000	(210,000)	150,000
	16 December 2010	1.35	17 December 2010 to 16 December 2020	—	—	—	—	144,000	—	144,000
	16 December 2010	1.35	17 December 2011 to 16 December 2020	—	—	—	—	108,000	—	108,000
	16 December 2010	1.35	17 December 2012 to 16 December 2020	—	—	—	—	108,000	—	108,000
				10,800,000	—	1,831,142	(892,387)	2,060,000	(700,000)	13,098,755
Total				16,000,000	(300,000)	2,661,937	(3,816,262)	3,560,000	(700,000)	17,405,675
Exercisable at the end of the year				16,000,000						16,889,675
Weighted average exercise price *(HK$)*				1.06	1.06	0.91	0.91	1.68	1.72	1.03

note: The exercise price and the number of share options outstanding at 31 December 2010 have been adjusted to reflect the effect of the open offer on 4 March 2010.

The following table discloses details of the Company's share options held by directors and employees during the prior year:

	Date of grant	Exercise price per share *HK$*	Exercisable period	Outstanding at 1 January 2009	Granted during the year	Cancelled with modification during the year	Granted with modification during the year	Forfeited during the year	Outstanding at 31 December 2009
Directors of the Company	25 May 2008	4.85	25 May 2008 to 24 May 2018	3,900,000	—	(3,900,000)	—	—	—
	27 May 2009	1.06	28 May 2009 to 26 May 2019	—	1,300,000	—	—	—	1,300,000
	9 July 2009	1.06	9 July 2009 to 24 May 2018	—	—	—	3,900,000	—	3,900,000
				3,900,000	1,300,000	(3,900,000)	3,900,000	—	5,200,000
Employees	25 May 2008	4.85	25 May 2008 to 24 May 2018	8,400,000	—	(6,210,000)	—	(2,190,000)	—
	27 May 2009	1.06	28 May 2009 to 26 May 2019	—	4,590,000	—	—	—	4,590,000
	9 July 2009	1.06	9 July 2009 to 24 May 2018	—	—	—	6,210,000	—	6,210,000
				8,400,000	4,590,000	(6,210,000)	6,210,000	(2,190,000)	10,800,000
Total				12,300,000	5,890,000	(10,110,000)	10,110,000	(2,190,000)	16,000,000
Exercisable at the end of the year									16,000,000
Weighted average exercise price *(HK$)*				4.85	1.06	4.85	1.06	4.85	1.06

On 9 July 2009, the Company repriced 10,110,000 outstanding share options (the "New Options") previously granted on 25 May 2008 (the "Old Options"). The exercise price was reduced from HK$4.85 to the then current market price of HK$1.06. The incremental fair value of HK$3,997,000 (equivalent to RMB3,519,000) which is the excess of the New Options' fair value over the Old Options' fair value as at 9 July 2009 was recognised in profit or loss immediately.

On 19 April 2010, the following share options were granted:

(i) 2,480,000 share options exercisable commencing from 20 April 2010 to 19 April 2020, which vested immediately. The fair value of each option at the date of grant was approximately HK$0.90;

(ii) 360,000 share options exercisable commencing from 20 April 2011 to 19 April 2020, with vesting period from 20 April 2010 to 19 April 2011. The fair value of each share option at the date of grant was approximately HK$0.91;

(iii) 360,000 share options exercisable commencing from 20 April 2012 to 19 April 2020, with vesting period from 20 April 2010 to 19 April 2012. The fair value of each share option at the date of grant was approximately HK$0.98.

On 16 December 2010, the following share options were granted:

(i) 144,000 share options exercisable commencing from 17 December 2010 to 16 December 2020, which vested immediately. The fair value of each option at the date of grant was approximately HK$0.75;

(ii) 108,000 share options exercisable commencing from 17 December 2011 to 16 December 2020, with vesting period from 17 December 2010 to 16 December 2011. The fair value of each option at the date of grant was approximately HK$0.75.

(iii) 108,000 share options exercisable commencing from 17 December 2012 to 16 December 2020, with vesting period from 17 December 2010 to 16 December 2012. The fair value of each option at the date of grant was approximately HK$0.78.

The fair value of the share options granted was calculated using the Black-Scholes pricing model. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

The following assumptions were used to calculate the fair value of the share option:

i) Share options granted on 19 April 2010

	Share options exercisable commencing on 20 April 2010	**Share options exercisable commencing on 20 April 2011**	**Share options exercisable commencing on 20 April 2012**
Grant date share price	HK$1.66	HK$1.66	HK$1.66
Exercise price	HK$1.716	HK$1.716	HK$1.716
Expected life	2.37 years	2.43 years	3.25 years
Expected volatility	97.08%	96.42%	90.56%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.83%	0.87%	1.29%

The closing price of the Company's shares immediately before the date of grant was HK$1.79.

ii) Share options granted on 16 December 2010

	Share options exercisable commencing on 17 December 2010	**Share options exercisable commencing on 17 December 2011**	**Share options exercisable commencing on 17 December 2012**
Grant date share price	HK$1.35	HK$1.35	HK$1.35
Exercise price	HK$1.35	HK$1.35	HK$1.35
Expected life	2.37 years	2.43 years	3.25 years
Expected volatility	97.87%	96.30%	85.99%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.82%	0.83%	1.12%

The closing price of the Company's shares immediately before the date of grant was HK$1.35.

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total share option expenses of RMB2,355,000 (2009: RMB2,558,000) for the year ended 31 December 2010 in relation to the share options granted by the Company.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes amounts due to a related company, amounts due to directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries, and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on 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 debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2010	**2009**
	RMB'000	*RMB'000*
Financial assets		
Financial asset designated as at FVTPL *(note)*	23,604	22,449
Loans and receivables (including cash and cash equivalents)	358,049	74,640
Financial liabilities		
Amortised cost	567,737	573,860

note: For the financial asset designated as at FVTPL, the cumulative change in fair value is RMB381,000 and the gain from change in fair value recognised during the year ended 31 December 2010 of RMB1,155,000 (2009: loss from change in fair value of RMB4,472,000) are mainly attributable to changes in estimated distributable profits of Baoshan Feilong and effective interest rate (Note 20).

(ii) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset, trade and other receivables, amounts due from related company, bank balances and cash, trade and other payables, amounts due to a related company/directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period date are as follows:

	Liabilities		Assets	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	395,803	377,261	128,291	4,910

Sensitivity analysis

The Group is mainly exposed to HKD exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes amounts due to a related company, amounts due to directors, promissory notes, bank borrowings, consideration payable for acquisition of subsidiaries and bank balances that are denominated in HKD. On this basis, there will be an increase in post-tax profit/decrease in post-tax loss for the year where RMB strengthens against the relevant foreign currencies by 5%, and vice versa.

	HKD Impact	
	2010	**2009**
	RMB'000	*RMB'000*
Profit/loss for the year	13,311	18,466

The Group's sensitivity to foreign currency has decreased during the current year mainly due to an increase in assets that are denominated in HKD.

(b) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other financial asset and promissory notes. Currently, the Group does not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to long term deposits, variable-rate bank balances and bank borrowings. It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBCBLR arising from the Group's bank borrowings and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and management considers that such exposure for long term deposits and variable-rate bank balances is not significant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease is used for bank borrowings respectively for the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease/increase by RMB1,465,000 (2009: loss increase/decrease by RMB1,475,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(c) Other price risk

The Group's fair value exposure to contingent consideration arising from business combination and other financial asset designated as at FVTPL is in relation to the changes in forecast distributable profits of Tong Ling Guan Hua and Baoshan Feilong respectively. Details of the sensitivity analysis are set out in Note 36(iii). The management considers the exposure of other price risk for contingent consideration arising from business combination is not significant.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or related companies is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk on trade receivables and amounts due from related companies. Trade receivables were mainly due from three (2009: two) external customers within the Mining Operations while amounts due from related companies in trade nature and non-trade nature were mainly attributed to two related companies (2009: one related company) and one related company (2009: one) respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010								
Non-derivative financial liabilities								
Trade and other payables (current)	—	29,828	—	—	—	—	29,828	29,828
Other payables (non-current)	9.3	—	—	—	9,974	44,243	54,217	22,106
Amounts due to a related company	—	25,996	—	—	—	—	25,996	25,996
Amounts due to directors	—	344	—	—	—	—	344	344
Promissory notes	8.7	—	—	40,957	59,414	—	100,371	95,625
Bank borrowings (variable rate)	2.9	108,744	18,042	123,476	90,133	—	340,395	337,854
Consideration payable for acquisition of subsidiaries	8.7	—	—	—	64,910	—	64,910	55,984
		164,912	18,042	164,433	224,431	44,243	616,061	567,737

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009								
Non-derivative financial liabilities								
Trade and other payables (current)	—	14,629	—	—	—	—	14,629	14,629
Other payables (non-current)	9.3	—	—	—	12,630	42,909	55,539	21,970
Amounts due to related companies	9.3	—	—	—	68,405	—	68,405	60,155
Amounts due to directors	—	352	—	—	—	—	352	352
Promissory notes	9.1	—	—	2,733	81,618	—	84,351	71,553
Bank borrowings (variable rate)	3.5	184	2,577	69,743	281,869	—	354,373	336,080
Consideration payable for acquisition of subsidiaries	8.7	—	—	—	78,228	—	78,228	69,121
		15,165	2,577	72,476	522,750	42,909	655,877	573,860

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2010 the aggregate undiscounted principal amounts of these bank loans amounted to RMB106,652,000 (2009: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the reporting date in accordance with the scheduled repayment dates set out in the facility letter. At that time, the aggregate principal and interest cash outflows will amount to RMB108,744,000.

The amounts included above for variable interest rate instruments is subject to change if interest rates differ to those determined at the end of the reporting period.

(iii) Fair value

The fair value of financial assets and financial liabilities, except other financial asset, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The consolidated financial statements also include other financial asset (see Note 20) and contingent consideration receivable (see Note 37) which are measured at fair value. Fair values are estimated using a discounted cash flow model and a probabilistic model respectively, which include some assumptions that are not supportable by observable market prices or rates.

The consolidated financial statements also include other financial asset which is measured at fair value (see Note 20). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value at the end of the reporting period, estimated distributable profit of Baoshan Feilong and a risk adjusted discount rate of 25% (2009: 26%) per annum are used. The gain from change in fair value of other financial asset that was recognised in profit or loss during the year is RMB1,155,000 (2009: loss RMB4,472,000). If the estimated distributable profit of Baoshan Feilong was 5% higher/lower while all the other variables were held constant, the carrying amount of the other financial asset would increase/decrease by RMB963,000 (2009: increase/decrease by RMB1,122,000). In addition, if the discount rate was 5% higher/lower while all the other variables were held constant, the carrying amount of the other financial asset would decrease/increase by approximately RMB1 million (2009: decrease/increase by approximately RMB1 million).

In determining the fair value of contingent consideration receivable at the end of the reporting period, estimated distributable profit of Tong Ling Guan Hua, weighted average selling price of the gold, quantity of gold produced by Tong Ling Guan Hua and a risk adjusted discount rate of 14% per annum are used. In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant as at 31 December 2010.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

— Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group did not have any level 1 and 2 financial instruments measured at fair value at the end of the reporting period.

	2010 Level 3
	RMB'000
Financial asset at FVTPL	
Other financial asset	23,604

Reconciliation of Level 3 fair value measurements of financial asset

	Other financial asset
	RMB'000
At 1 January 2009	26,921
Total losses — in profit or loss	(4,472)
At 1 January 2010	22,449
Total gains — in profit or loss	1,155
At 31 December 2010	23,604

Gain (loss) from change in fair value of other financial asset is included in "Other gains and losses".

37. ACQUISITION OF SUBSIDIARIES

On 30 June 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex, an investment holding company, from Bright Harvest, an independent third party (the "Vendor") (the "Acquisition"). Absolute Apex owned the entire equity interest in Ample Source and 70% equity interest in Tong Ling Guan Hua, which are engaged in investment holding, and mining and processing of gold, respectively. Absolute Apex was acquired so as to continue the expansion of the Group's mining operations.

Consideration transferred

	RMB'000
Cash consideration paid	10,518
Consideration shares issued *(note i)*	31,029
Promissory notes issued *(Note 27)*	76,853
Deferred consideration *(note ii)*	85,195
Total consideration	203,595

notes:

(i) As part of the consideration for the Acquisition, 30,000,000 ordinary shares of the Company with par value of HK$0.1 each were issued. The fair value of these shares, determined using the published share price available at the date of acquisition, amounted to RMB31,029,000.

(ii) The deferred consideration included in other payables has been settled during the year ended 31 December 2010.

(iii) As part of the Acquisition, the Vendor has also agreed to compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua for specified periods as follows:

For the period from 1 July 2010 to 30 June 2011

If the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB60 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula. The compensation, if any, will be set off against the first tranche of the promissory note.

For the period from 1 July 2011 to 30 June 2012

(a) If the weighted average selling price of the gold produced by Tong Ling Guan Hua reaches RMB220 per gram and the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB70 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.

(b) If the weighted average selling price of the gold produced by Tong Ling Guan Hua is less than RMB220 per gram and the quantity of gold produced by Tong Ling Guan Hua is less than 800 kilogram per annum, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.

(c) If the weighted average selling price of the gold produced by Tong Ling Guan Hua reaches RMB220 per gram and the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB80 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.

(d) If the weighted average selling price of the gold produced by Tong Ling Guan Hua is less than RMB220 per gram and the quantity of gold produced by Tong Ling Guan Hua is less than 1,000 kilogram per annum, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.

In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition and the end of the reporting period.

(iv) Acquisition-related costs amounting to RMB1,313,000 have been excluded from the cost of acquisition and have been recognised as an expense in the year, within the "other expenses" line item in the consolidated statement of comprehensive income.

Fair value of assets acquired and liabilities at the date of acquisition:

	RMB'000
Property, plant and equipment	12,858
Mining right	403,149
Inventories	4,271
Other receivables	1,411
Bank balances and cash	37
Trade and other payables	(14,393)
Taxation	(105)
Deferred tax liability	(97,228)
	310,000

The gross contractual amounts and the fair value of other receivables on the date of acquisition amounted to HK$ 1,411,000. The entire amount of the contractual cash flows is expected to be collected at acquisition date.

The fair values of the mining right acquired by the Group were determined on the basis of the Income-Based Approach using the discounted cash flow analysis. The valuation was carried out regarding the fair values of the mining right as at the acquisition date. The fair value calculation used cash flow projections, based on financial budget approved by management covering a five-year period during the useful life of the mineral reserves and a discount rate of 23% per annum. Cash flows beyond the five-year period are extrapolated without application of any growth rate. The key assumptions for the fair value calculation relate to the estimated mine reserves in the technical report and the estimated prices of mineral resources by reference to current market condition.

Non-controlling interests

At the date of acquisition, the non-controlling interests are measured at the non-controlling interests' share of the fair value of the net identifiable assets.

Gain on bargain purchase on acquisition

	RMB'000
Consideration transferred	203,595
Plus: non-controlling interests	93,000
Less: fair value of identifiable net assets acquired	(310,000)
Gain on bargain purchase on acquisition	(13,405)

The gain on bargain purchase on acquisition was mainly attributable to the decline in market price of the consideration shares from the date of the conditional sale and purchase agreement to the date of completion of the acquisition.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(95,713)
Cash and cash equivalents acquired	37
	(95,676)

Included in the profit for the year is RMB5,996,000 attributable to the additional business generated by Absolute Apex and its subsidiaries. Revenue for the year includes RMB41,275,000 generated.

Had the acquisition been completed on 1st January 2010, total group revenue for the year would have been RMB363,387,000, and profit for the year would have been RMB43,773,000. The proforma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Absolute Apex been acquired at the beginning of the current reporting period, the directors have calculated the amortisation of the mining right acquired on the basis of the fair value arising in the business combination rather than the carrying amount recognised in the pre-acquisition financial statements.

38. DISPOSAL OF SUBSIDIARIES

On 11 March 2009, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of certain subsidiaries, Merry Best Investments Limited and Yuelong (Puer) Limited, which held the entire equity interest in Puer Feilong (collectively refer to as the "Puer Group"), the principal activities of which are mining and processing of zinc and lead. The disposal was completed on 18 March 2009, on which date control of the Puer Group was passed to the acquirer.

The following are the assets and liabilities disposed of on the date of completion:

NET ASSETS DISPOSED OF	*RMB'000*
Property, plant and equipment	3,162
Deferred tax assets	801
Prepaid lease payments	135
Mining rights	145
Long term deposits	677
Inventories	479
Other receivables	882
Bank balances and cash	80
Trade and other payables	(1,339)
Amount due to Yue Da Mining Limited, a subsidiary of the Company	(11,059)
	(6,037)
Waiver of amount due to Yue Da Mining Limited	11,059
	5,022
Gain on disposal	1,358
Total consideration	6,380
Satisfied by:	
Cash	6,000
Deferred consideration	380
	6,380
Net cash outflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	(80)
	5,920

The deferred consideration was settled in cash by the acquirer during the year ended 31 December 2010.

During the period between 1 January 2009 and the date of disposal, the Puer Group contributed a loss of RMB197,000 to the Group's results.

39. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2009: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2009: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,931,000 (2009: RMB1,304,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

40. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises during the year amounted to RMB2,559,000 (2009: RMB3,093,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Within one year	3,029	2,247
In the second to fifth year inclusive	4,538	1,763
	7,567	4,010

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB6,532,000 (2009: RMB2,835,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

41. CAPITAL COMMITMENTS

	2010	**2009**
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	460	366

42. PLEDGE OF ASSETS

At the end of the reporting period, the Company's equity interests in certain subsidiaries, which hold certain mining rights in the PRC, were pledged to a bank for credit facilities granted to the Group. As at 31 December 2010, an amount of RMB151,002,000 (2009: RMB176,080,000) of such facilities was utilised.

43. RELATED PARTY DISCLOSURES

(i) The Group had the following transactions with related parties:

Relationship	Nature of transactions	2010 *RMB'000*	2009 *RMB'000*
Mr. Yang Long and his affiliates *(note a)*	Sale of finished goods by the Group *(note b)*	13,488	47,907
	Interest on promissory notes *(Note 27)*	3,470	7,339
	Deemed distribution arising from early repayment of promissory note *(Note 27)*	3,573	—
	Deemed capital contribution arising from extension of repayment date of promissory notes	—	1,616
Langfang Bureau and its affiliate	Repairs and maintenance charges paid by the Group *(note c)*	12,225	8,778
Yue Da HK	Rentals paid on office premises and staff quarters by the Group *(note d)*	2,358	2,381
Yue Da Enterprise	Deemed distribution arising from early repayment of non-current interest-free loan granted to the Group *(Note 23)*	5,466	—
	Deemed capital contribution arising from extension of non-current interest-free loan granted to the Group	—	8,062
	Imputed interest arising from non-current interest-free loans granted to the Group *(Note 9)*	2,268	5,260
	Rentals paid on staff quarter by the Group *(note d)*	210	211
Pingchuan Iron Mining Company	Purchase of finished goods by the Group *(note e)*	7,726	—

notes:

(a) Mr. Yang Long and his affiliates ceased to be related party of the Group from 1 October 2010 onwards. Details is set out in note (iii)(c) of consolidated statement of changes in equity.

(b) Certain of the Company's subsidiaries have each entered into an ore supply agreement with the non-controlling shareholders, pursuant to which these subsidiaries have agreed to sell zinc and lead ore concentrates and related products to the non-controlling shareholders and its associates.

(c) The repairs and maintenance charges in respect of the relevant toll highway are charged at 18% of the total amount of gross toll collected.

(d) The rentals were charged in accordance with the relevant tenancy agreements.

(e) The Company has entered into an ore purchase agreement with the non-controlling shareholder, pursuant to which the Company has agreed to purchase iron ores and related products from the non-controlling shareholder.

(ii) Details of the Group's outstanding balances with related parties are set out in Notes 23 and 26.

(iii) Details of operating lease commitment with a related party are set out in Note 40.

(iv) In addition, pursuant to the agreements between the Group, the non-controlling shareholder of the Group's toll highway and bridge subsidiary and the relevant government bureaus, the parties have agreed and confirmed that the Group has the right to use the land on which the toll highway and bridge is situated at no cost for the duration of the relevant joint venture term.

(v) As at 31 December 2010, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facilities granted to the Group to the extent of RMB140,000,000. The facilities are general working capital facilities for two and three years. As at 31 December 2010, RMB80,000,000 was utilised by the Group.

(vi) Transactions with other state-owned entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Jiangsu Yue Da which is controlled by the Yancheng Municipal People's Government. Apart from the transactions with the related parties disclosed in (i) to (v) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

(vii) Compensation of key management personnel

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

	2010	**2009**
	RMB'000	*RMB'000*
Short-term benefits (including share-based payments)	3,568	5,563
Post-employment benefits	210	181
	3,778	5,744

44. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2010, not has any dividend been proposed since the end of the reporting period (2009: Nil).

45. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2010 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company 2010 %	2009 %	Principal activities
Baoshan Feilong *(note i & ii)*	PRC	Registered capital — RMB34,500,000	91.5	91.5	Mining and processing zinc, copper and lead
Daqian Mining *(note i)*	PRC	Registered capital — RMB5,000,000	100	100	Mining and processing zinc and lead
Langfang Tongda *(note iii)*	PRC	Registered capital — US$11,250,000	51	51	Management and operation of the Wen An section of National Highway 106
San Xiang *(note i)*	PRC	Registered capital — RMB14,500,000	90.1	90.1	Mining zinc and lead
Tengchong Ruitu Mining and Technology Company Limited *(note i)*	PRC	Registered capital — RMB11,000,000	100	100	Mining and processing iron and zinc
Tong Ling Guan Hua *(note i)*	PRC	Registered capital — RMB18,000,000	70	—	Mining, processing and sales of gold
Xiang Da *(note i)*	PRC	Registered capital — RMB32,600,000	90.1	90.1	Processing zinc and lead
Yi Da *(note i)*	PRC	Registered capital — RMB20,300,000	90.1	90.1	Mining and processing zinc and lead
Yaoan Feilong *(note i)*	PRC	Registered capital — RMB17,400,000	100	100	Mining and processing zinc and lead

notes:

(i) The companies are wholly foreign-owned enterprises.

(ii) Pursuant to the profit distribution agreement disclosed in Note 20, all the profits will be shared by the Group from 2008 to 2015.

(iii) Langfang Tongda is a sino-foreign cooperative joint venture.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011** *RMB'000* (unaudited)	**Six months ended 30 June 2010** *RMB'000* (unaudited)
Revenue	3	231,475	158,930
Cost of sales		(142,235)	(73,455)
Direct operating costs		(19,434)	(20,399)
Gross profit		69,806	65,076
Other income		3,131	1,625
Other gains and losses	4	43,259	2,421
Gain on bargain purchase of acquisition of subsidiaries		—	13,405
Administrative expenses		(38,198)	(27,212)
Finance costs	5	(13,608)	(13,134)
Other expenses	6	—	(1,313)
Profit before tax		64,390	40,868
Income tax expense	7	(7,508)	(8,328)
Profit and total comprehensive income for the period	8	56,882	32,540
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		58,851	28,614
— Non-controlling interests		(1,969)	3,926
		56,882	32,540
Earnings per share			
— Basic	10	8.58 cents	5.12 cents
— Diluted	10	8.54 cents	5.05 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 *RMB'000* (unaudited)	31 December 2010 *RMB'000* (audited)
Non-current Assets			
Property, plant and equipment	11	184,684	202,670
Prepaid lease payments		2,439	2,504
Mining rights	12	1,240,012	1,507,303
Goodwill		482	482
Other intangible assets	13	51,134	63,938
Long term deposits		4,728	7,455
Other financial asset	14	—	23,604
		1,483,479	1,807,956
Current Assets			
Prepaid lease payments		208	208
Inventories		23,847	32,957
Trade and other receivables	15	90,228	68,720
Amounts due from related companies	16	30,621	32,392
Bank balances and cash		118,421	253,741
		263,325	388,018
Assets classified as held for sales	17	299,605	—
		562,930	388,018
Current Liabilities			
Trade and other payables	18	64,055	49,885
Amount due to a related company	16	5,219	25,996
Amounts due to directors		257	344
Taxation payable		9,272	9,342
Promissory notes — due within one year	19	—	40,957
Bank borrowings — due within one year		280,488	250,262
		359,291	376,786
Liabilities directly associate with assets classified as held for sales	17	65,878	—
		425,169	376,786
Net Current Assets		137,761	11,232
Total Assets Less Current Liabilities		1,621,240	1,819,188

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Capital and Reserves			
Share capital	20	64,874	64,773
Reserves		927,393	863,233
Equity attributable to owners of the Company		992,267	928,006
Non-controlling interests		209,765	271,745
Total equity		1,202,032	1,199,751
Non-current Liabilities			
Other payables	18	21,934	22,106
Promissory notes — due after one year	19	35,785	54,668
Bank borrowings — due after one year		—	87,592
Consideration payable for acquisition of subsidiaries	21	24,278	55,984
Provisions		250	2,496
Deferred tax liabilities		305,882	364,315
Deferred income	22	31,079	32,276
		419,208	619,437
		1,621,240	1,819,188

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note i)	*(note ii)*	*(note iii)*		*(note iv)*				
At 1 January 2010 (audited)	33,122	487,322	22,393	157,178	32,400	18,460	(59,372)	(164,579)	526,924	126,184	653,108
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	28,614	28,614	3,926	32,540
Deemed distribution to the ultimate parent from early repayment of interest-free loan	—	—	—	—	(5,466)	—	—	—	(5,466)	—	(5,466)
Deemed distribution to a shareholder from early repayment of promissory notes	—	—	—	—	(3,572)	—	—	—	(3,572)	—	(3,572)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	93,000	93,000
Shares issued	31,290	343,661	—	—	—	—	—	—	374,951	—	374,951
Transaction cost attributable to issue of shares	—	(5,624)	—	—	—	—	—	—	(5,624)	—	(5,624)
Recognition of equity-settled share-based payments	—	—	—	—	—	2,025	—	—	2,025	—	2,025
Exercise of share option	105	1,376	—	—	—	(490)	—	—	991	—	991
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(6,513)	(6,513)
Transfer	—	—	4,837	—	—	—	—	(4,837)	—	—	—
At 30 June 2010 (unaudited)	64,517	826,735	27,230	157,178	23,362	19,995	(59,372)	(140,802)	918,843	216,597	1,135,440
At 1 January 2011 (audited)	64,773	830,077	29,574	157,178	23,361	18,646	(59,372)	(136,231)	928,006	271,745	1,199,751
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	58,851	58,851	(1,969)	56,882
Exercise of share option	101	1,269	—	—	—	(451)	—	—	919	—	919
Acquisition of additional interest in a non-wholly owned subsidiary *(Note 14)*	—	—	—	—	—	—	5,908	—	5,908	(52,593)	(46,685)
Recognition of equity-settled share-based payments	—	—	—	—	—	227	—	—	227	—	227
Deemed distribution to a shareholder from early repayment of promissory notes	—	—	—	—	(1,644)	—	—	—	(1,644)	—	(1,644)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(7,418)	(7,418)
Transfer	—	—	808	—	—	—	—	(808)	—	—	—
At 30 June 2011 (unaudited)	64,874	831,346	30,382	157,178	21,717	18,422	(53,464)	(78,188)	992,267	209,765	1,202,032

notes:

(i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

(iii) The capital contribution represents deemed contribution from (distributable to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company. In 2008, a settlement deed was entered with the vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from the ultimate parent;

(b) non-current interest-free loan granted and extension of their repayment date by Yue Da Enterprise, and their early repayment. In prior periods, the difference between the nominal value and the fair value on inception date and the difference between the carrying value and the fair value on extension date of the non-current interest-free loan were recognised as deemed contribution by the ultimate parent, and the difference between the carrying value and nominal value on the date of early repayment of the non-current interest-free loan was recognised as deemed distribution to the ultimate parent. On 30th June 2011, the Group fully repaid the remaining portion of the loan with a nominal value of RMB26,333,000. Details are set out in Note 16;

(c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long had significant influence over the mining subsidiaries of the Company and therefore he and his affiliates were related parties. This relationship ceased from 1 October 2010 onwards. Mr. Yang Long was and continues to be a shareholder of the Company. In prior periods, the difference of the nominal value and the fair value on inception date and the differences between the carrying value and the fair value on extension dates of the promissory notes were recognised as a deemed contribution by a shareholder, and the difference between the carrying value and nominal value on the date of early repayment of the promissory notes was recognised as deemed distribution to a shareholder. During the six months ended 30 June 2011, the Group early repaid a portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of early repayment has been recognised as a deemed distribution to a shareholder. Details are set out in Note 19.

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interest acquired in 2007 and the difference between the amount of non-controlling interests acquired and the fair value of consideration paid during the six months ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000 (unaudited)
Net cash from operating activities		61,170	47,443
Net cash used in investing activities			
Repayment of consideration payable for acquisition of subsidiaries	21	(35,737)	(13,318)
Acquisition of property, plant and equipment	11	(25,644)	(7,362)
Repayment of promissory notes issued for acquisition of subsidiaries	19	(16,674)	(33,927)
Other investing cash flows		(2,923)	(4,307)
		(80,978)	(58,914)
Net cash (used in) from financing activities			
Repayment of bank borrowings		(112,366)	(45,010)
Repayment to a related company	16	(26,333)	(38,634)
Acquisition of additional interest in a non-wholly owned subsidiary		(22,440)	—
Dividend paid to non-controlling shareholders		(7,418)	(6,513)
Expenses on open offer of new shares		—	(5,624)
Bank borrowings raised		55,000	40,000
Advance from a related company	16	5,219	—
Proceeds from issue of shares upon exercise of share options		919	991
Proceeds on open offer of new shares		—	343,922
Other financing cash flows		(7,299)	(6,793)
		(114,718)	282,339
Net (decrease) increase in cash and cash equivalents		(134,526)	270,868
Cash and cash equivalents at beginning of the period		253,741	34,481
Effect of foreign exchange rate changes		(794)	(347)
Cash and cash equivalents at end of the period, represented by bank balances and cash		118,421	305,002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 and with Hong Kong Accounting Standard 34 Interim Financial Reporting.

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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised 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.

HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Hong Kong Accounting Standards, HKFRSs and amendments that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2013.

[3] Effective for annual periods beginning on or after 1 January 2012.

[4] Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

— exploration, mining and processing of zinc, lead, iron and gold and trading of iron ore and related products ("Mining & Mineral Trading Operations")

— management and operation of toll highway and bridge ("Toll Road Operations")

The following is an analysis of the Group's revenue and results by operating and reportable segments for the period under review:

Six months ended 30 June 2011

	Mining & Mineral Trading Operations	**Toll Road Operations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*
SEGMENT REVENUE			
External sales	215,262	16,213	231,475
SEGMENT RESULTS			
Segment profit (loss)	56,619	(6,473)	50,146
Interest income			3,131
Fair value change in contingent consideration			44,186
Other gains and losses			
— Net foreign exchange gains			2,661
— Gain on change in fair value of financial asset designated as at fair value through profit or loss ("FVTPL")			641
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(3,750)
— Loss arising on early repayment of promissory notes			(446)
Central administration costs			(18,571)
Finance costs			(13,608)
Profit before tax			64,390

Six months ended 30 June 2010

	Mining & Mineral Trading Operations	Toll Road Operations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
SEGMENT REVENUE			
External sales	126,982	31,948	158,930
SEGMENT RESULTS			
Segment profit	43,102	8,249	51,351
Interest income			1,625
Other gains and losses			
— Gain on bargain purchase of acquisition of subsidiaries			13,405
— Net foreign exchange gains			1,342
— Gain on change in fair value of financial asset designated as at FVTPL			964
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(1,006)
Central administration costs			(12,366)
Finance costs			(13,134)
Other expenses			(1,313)
Profit before tax			40,868

Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of interest income, other income, other gains and losses as described above, central administration costs, finance costs and other expenses. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2011	30 June 2010
	RMB'000	*RMB'000*
Fair value change in contingent consideration *(note)*	44,186	—
Net foreign exchange gains	2,661	1,342
Gain on change in fair value of financial asset designated as at FVTPL	641	964
Others	—	1,148
Loss arising on early repayment of consideration payable for acquisition of subsidiaries	(3,750)	(1,006)
Loss arising on early repayment of promissory notes	(446)	—
Loss on disposal of property, plant and equipment	(33)	(27)
	43,259	2,421

note: During the year ended 31 December 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company (the "Acquisition"), from Bright Harvest Holdings Limited ("Bright Harvest"), an independent third party. 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 has also agreed to compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua for certain periods. There was a shortfall of performance for contingent consideration relating to the period from 1 July 2010 to 30 June 2011. The shortfall was mainly due to an unanticipated temporary suspension of mining operation for regional safety inspection by local government authority from March 2011 to May 2011. As a result, a fair value change in contingent consideration of RMB44,186,000 was recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011. It was settled by an offset against the promissory note issued in prior year as part of the consideration for the Acquisition (Note 19). It is expected the performance of the Tong Ling Guan Hua will be back on track and the fair value of contingent consideration for the remaining periods is insignificant as at the end of the reporting period.

5. FINANCE COSTS

	Six months ended	
	30 June 2011	**30 June 2010**
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	6,132	5,535
Effective interest on promissory notes	3,641	2,579
Imputed interest on:		
— interest-free amount due to a related company	1,133	938
— consideration payable for acquisition of subsidiaries	1,411	3,002
— other payables *(Note 18)*	1,197	999
— provisions	94	81
	13,608	13,134

6. OTHER EXPENSES

Other expenses represented acquisition-related costs of RMB1,313,000 in relation to the acquisition of subsidiaries in prior year.

7. INCOME TAX EXPENSE

	Six months ended	
	30 June 2011	**30 June 2010**
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
— current period	8,300	8,063
Deferred tax		
— current period *(note)*	(792)	265
	7,508	8,328

note: Included in the deferred tax, an amount of approximately RMB3,852,000 (2010: RMB2,234,000) was charged to profit or loss in the condensed consolidated statement of comprehensive income in respect of temporary difference associated with the undistributed earnings of subsidiaries.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Taxation arising in the PRC is recognised based on the estimated average annual tax rate of 15% for the six months ended 30 June 2011 (2010: 15%).

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended	
	30 June 2011	**30 June 2010**
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights included in cost of sales	17,347	11,287
Amortisation of other intangible assets included in direct operating costs	12,777	12,178
Depreciation of property, plant and equipment	12,021	10,756
Release of prepaid lease payments	65	65
Total depreciation and amortisation	42,210	34,286
Cost of inventories sold	142,235	73,455
Interest income	(1,934)	(626)
Imputed interest income on deferred income *(Note 22)*	(1,197)	(999)
Share-based payments expense	227	2,025

9. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend for both periods.

10. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2011	**30 June 2010**
	RMB'000	*RMB'000*
Earnings		
Profit for the purposes of basic and diluted earnings per share and profit for the period attributable to owners of the Company	58,851	28,614
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	685,822,112	559,397,027
Effect of dilutive potential ordinary shares — share options	3,694,939	7,142,043
Weighted average number of ordinary shares for the purpose of diluted earnings per share	689,517,051	566,539,070

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group incurred RMB25,644,000 (2010: RMB7,362,000) on the acquisition of property, plant and equipment. The Group transferred property, plant and equipment with a carrying amount of RMB31,550,000 to assets classified as held for sales (Note 17).

12. MINING RIGHTS

	RMB'000
COST	
At 1 January 2011	1,838,259
Reclassified as held for sale	(283,018)
At 30 June 2011	1,555,241
AMORTISATION AND IMPAIRMENT	
At 1 January 2011	330,956
Reclassified as held for sale	(33,074)
Charge for the period	17,347
At 30 June 2011	315,229
CARRYING VALUE	
At 30 June 2011	1,240,012
At 31 December 2010	1,507,303

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one to eight years. The Group's mining rights are expiring in the period from December 2011 to December 2014. In the opinion of the directors, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

The Group transferred mining rights with a carrying amount of RMB249,944,000 to assets classified as held for sales (Note 17).

The mining rights are amortised over a period between 13 to 25 years, using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

13. OTHER INTANGIBLE ASSETS

Other intangible assets represent the operating rights of toll road highway and bridge granted by the Hebei Provincial Government to the Group for 16 years, which is from 1997 to 2013. During the concessionary period, the Group has the rights of operation and management of Wen An section of National Highway 106 and the toll-collection rights thereof. The Group is required to manage and operate the toll highway and bridge in accordance with the regulations promulgated by the Ministry of Transport of the PRC and relevant government authorities.

The Group's right to operate the toll highway and bridge is amortised over the remaining concessionary period of the toll highway and bridge, using the straight-line method.

The Group is currently negotiating with relevant government authorities for the arrangement of operating rights after the operation period. As at 30 June 2011, the negotiation was still in progress.

14. OTHER FINANCIAL ASSET

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Financial asset designated as at FVTPL	—	23,604

During the year ended 31 December 2008, the Group entered into an agreement with Mr. Yang Long and his affiliates, pursuant to which the Group had agreed to pay the mining fees on behalf of Mr. Yang Long and his affiliates in exchange for (a) the transfer by Mr. Yang Long and his affiliates of their distributable profits in Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong") for the period from 2008 to 2015 to the Group; and (b) RMB5,000,000 cash paid by Mr. Yang Long and entities under his control to the Group. Accordingly, the Group recognised a financial asset designated as at FVTPL of RMB26,921,000 in connection with the right to share of profit of Baoshan Feilong for the period from 2008 to 2015 (the "Right") on initial recognition. Any excess or shortfall of the estimated distributable profit of Baoshan Feilong to the Group given up by Mr. Yang Long and his affiliates will not be repaid to or recovered from them. At initial recognition, the financial asset was measured based on the estimated distributable profit of Baoshan Feilong given up by Mr. Yang Long and his affiliates at an effective interest rate of 23% per annum. At the end of each reporting period, the fair value of the financial asset varied depending on the estimated distributable profit of Baoshan Feilong and the effective interest rate at that time.

On 8 April 2011, Yue Da Mining Limited, a wholly-owned subsidiary of the Company, agreed to acquire and completed the acquisition of the entire issued share capital of Moral Well Enterprises Limited ("Moral Well") together with a shareholder's loans for (a) an aggregate of cash consideration of RMB22,440,000; and (b) the release of the Right with a fair value of RMB24,245,000 as a consideration. Moral Well is a limited liability company incorporated in the British Virgin Islands and held the non-controlling 8.5% equity interests in Baoshan Feilong. Following the acquisition, Baoshan Feilong has become indirect wholly-owned subsidiary of the Group. The increase in fair value of the financial asset of RMB641,000 has been credited to profit or loss immediately before the date of acquisition. The difference of RMB5,908,000 between the carrying amount of non-controlling interests acquired and the fair value of consideration paid has been credited to other reserve at the date of acquisition.

Consideration transferred

	RMB'000
Cash consideration paid	22,440
Other financial asset derecognised	24,245
Total consideration	46,685

Transfer of equity

	RMB'000
Total consideration paid	46,685
Less: non-controlling interest acquired	(52,593)
Credit to other reserve	(5,908)

15. TRADE AND OTHER RECEIVABLES

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Trade receivables	19,504	59,078
Bill receivables	68,896	3,000
	88,400	62,078
Other receivables	1,828	6,642
	90,228	68,720

Other receivables of RMB12,663,000 have been classified as part of a disposal group held for sale. The Group allows an average credit period of 60–90 days to its trade customers. The following is an analysis of trade receivables and bills receivables by age, presented based on the invoice date.

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0–60 days	53,840	59,078
60–90 days	18,560	3,000
Over 90 days	16,000	—
	88,400	62,078

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control *(note i)*	20,544	23,010
Pingchuan Iron Mining Company *(note ii)*	9,655	8,960
Yue Da Enterprise and its fellow subsidiaries	422	422
	30,621	32,392
Trade nature	14,476	12,539
Non-trade nature	16,145	19,853
	30,621	32,392

The Group allows its related companies an average credit period of 60 days. The following is an aged analysis of amounts due from related companies which are principally trade nature based on the invoice date.

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
0–60 days	14,476	12,539

	Due to	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Non-trade nature		
Yue Da Enterprise *(note iii)*	5,219	25,996

notes:

(i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd..

(ii) Pingchuan Iron Mining Company is a non-controlling shareholder of the Company's mining subsidiary, Liangshan Prefecture Yuechuan Mining Co., Limited.

(iii) The amount as at 31 December 2010 was unsecured and interest-free loan. On 30 June 2011, the Group fully repaid the remaining portion of the loan with a nominal value of RMB26,333,000. The amounts at 30 June 2011 are unsecured, interest-free and repayable on demand.

17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the six months ended 30 June 2011, the directors of the Company planned to dispose Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited (the "Disposal Group"). The Company is the owner of 90.1% interest in the Disposal Group. The management of the Company committed to this disposal plan and actively sought a buyer. The Disposal Group is expected to be disposed of within twelve months.

On 16 August 2011, the Group entered into a disposal agreement with Feng Hua Group Limited, an independent third party, to dispose the 41.1% of the entire issued capital of the Disposal Group at a cash consideration of RMB59,097,323. In addition, the Group's shareholder loan to the Disposal Group amounted to RMB31,902,677 will be assigned to Feng Hua Group Limited. Total consideration for the disposal of 41.1% of issued capital and the assignment of shareholder's loan amounted to RMB91,000,000. All the assets and liabilities of the Disposal Group have been reclassified as assets and liabilities held for sale and presented separately in the condensed consolidated statement of financial position as at 30 June 2011. Details are set out in the announcement dated 16 August 2011.

The sales proceeds are expected to exceed the net carrying amount of the assets and liabilities and, accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	30 June 2011
	RMB'000
Property, plant and equipment	31,550
Mining rights	249,944
Long term deposits	3,674
Inventories	1,624
Trade and other receivables	12,663
Bank balances and cash	150
Total assets classified as held for sales	299,605
Trade and other payables	5,899
Provisions	2,339
Deferred tax liabilities	57,640
Total liabilities directly associated with assets classified as held for sales	65,878
Intragroup balances due from the Disposal Group to other entities in the Group *(note)*	92,950
Carrying amount of the Disposal Group	140,777

note: RMB31,902,677 will be assigned to Feng Hua Group Limited upon disposal of the 41.1% interest. The remaining balances continue to be repayable by the Disposal Group after the disposal.

18. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Current		
Trade payables	6,322	5,597
Other payables *(note)*	57,733	44,288
	64,055	49,885
Non-current		
Other payables *(note)*	21,934	22,106
	85,989	71,991

Other payables of RMB5,899,000 have been classified as part of a disposal group held for sale. The average credit period on purchases of goods is 60 days. The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
0–60 days	6,322	5,597

note: As at 30 June 2011, included in the other payables was a mining fee payable of RMB31,373,000 (31 December 2010: RMB30,176,000) of which RMB21,934,000 (31 December 2010: RMB22,106,000) was non-current portion and RMB9,439,000 (31 December 2010: RMB8,070,000) was classified as current. It is unsecured, interest-free and repayable in accordance with the requirement of the PRC rules and regulations in which its payment method is based on the annual actual extraction volume of the relevant mine. The fair value of non-current mining fee payable on initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum, the difference of RMB35,382,000 was considered as government grant and was recognised as deferred income (Note 22).

19. PROMISSORY NOTES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Promissory notes		
Feilong Holdings *(note i)*	—	16,999
Bright Harvest *(note ii)*	35,785	78,626
	35,785	95,625
Analysed as:		
Current	—	40,957
Non-current	35,785	54,668
	35,785	95,625

notes:

(i) The promissory notes were issued to Feilong Holdings, a company beneficially owned by Mr. Yang Long, and were unsecured, carry at a fixed interest rate of 3.5% (2010: 3.5%) per annum.

During the six months ended 30 June 2011, the Group early repaid the remaining portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment has been recognised as a deemed distribution to a shareholder.

(ii) On 30 June 2010, the Company issued a promissory note comprising two tranches each with a principal sum of RMB43,825,000.

The promissory note is unsecured and interest-free. The first tranche is repayable on 31 July 2011 and the second tranche on 31 July 2012. The fair value of these two tranches on the date of issue are RMB40,033,000 and RMB36,820,000, respectively, determined using cash flows discounted at an effective rate of 8.7% per annum.

During the six months ended 30 June 2011, the Group early settled the promissory notes amounting to RMB44,186,000 with a contingent consideration receivable from Bright Harvest at the same amount in relation to the shortfall of performance by Tong Ling Guan Hua for the period from 1 July 2010 to 30 June 2011 (Note 4). A difference of RMB446,000 between the carrying value and the nominal value of this portion of promissory notes at the date of settlement has been recognised as other losses in the condensed consolidated statement of comprehensive income.

20. SHARE CAPITAL

	Number of shares	Amount	Shown in the condensed consolidated financial statements
		HK$'000	*RMB'000*
Ordinary shares of HK$0.10 each:			
Issued and fully paid			
At 1 January 2010	325,569,333	32,557	33,122
Open offer *(note i)*	325,869,333	32,587	28,660
Exercise of share options	1,192,387	119	105
Issue in consideration for the acquisition of subsidiaries *(note ii)*	30,000,000	3,000	2,630
At 30 June 2010	682,631,053	68,263	64,517
At 1 January 2011	685,554,928	68,556	64,773
Exercise of share options	1,213,979	121	101
At 30 June 2011	686,768,907	68,677	64,874

notes:

(i) On 4 March 2010, the Company completed an open offer of 325,869,333 shares (the "Open Share") on the basis of one Open Share for every existing share, at the subscription price of HK$1.2 (equivalent to RMB1.06) each per share. The proceeds are used for general working capital and possible future development of mining sites.

(ii) On 30 June 2010, the Group completed the Acquisition (Note 4). As part of the consideration for the Acquisition, 30,000,000 ordinary shares of the Company with the par value of HK$0.1 each were issued.

21. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is unsecured, interest-free and payable on 1 July 2012. During the six months ended 30 June 2011, the Group early repaid a portion of consideration with a nominal value of RMB35,737,000. A difference of RMB3,750,000 between the carrying value and the nominal value of the repaid portion of consideration at the date of repayment has been recognised as other losses in the condensed consolidated statement of comprehensive income.

22. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fee payable (Note 18). The amount will be released to other income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

23. RELATED PARTY DISCLOSURES

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

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

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

		Six months ended	
Name of related parties	**Nature of transactions**	**30 June 2011**	**30 June 2010**
		RMB'000	*RMB'000*
Immediate holding company			
Yue Da HK	Rentals paid on office premises and staff quarters by the Group	1,141	1,187
Fellow subsidiaries			
Yue Da Enterprise	Deemed distribution arising from early repayment of interest-free loan	—	5,466

As at 30 June 2011, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facility granted to the Group to the extent of RMB100,000,000 (31 December 2010: RMB180,000,000). The facilities are general working capital facilities for two years. As at 30 June 2011, a total amount of RMB60,000,000 was utilised by the Group.

Details of the outstanding balances with Yue Da Enterprise and its fellow subsidiaries are set out in Note 16.

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

		Six months ended	
Name of related parties	**Nature of transactions**	**30 June 2011**	**30 June 2010**
		RMB'000	*RMB'000*
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group	3,087	5,044

In addition, pursuant to the agreements between the Group, the non-controlling shareholder of the Group's toll highway and bridge subsidiary and the relevant government bureaus, the parties have agreed and confirmed that the Group has the right to use the land on which the toll highway and bridge is situated at no cost for the duration of the relevant joint venture term.

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

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

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

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

(ii) The transactions and balances with non-government related entities which are related to the Group are listed below:

Name of related parties	Nature of transactions	Six months ended 30 June 2011 *RMB'000*	Six months ended 30 June 2010 *RMB'000*
Non-controlling interests with significant influence over PRC subsidiaries			
Pingchuan Iron Mining Company	Purchase of materials by the Group	40,142	—
Mr. Yang Long and entities under his control*	Sale of finished goods by the Group	—	14,307
	Deemed distribution arising from early repayment of promissory notes	—	3,572
	Interest on promissory notes	—	2,579

* Mr. Yang Long and entities under his control ceased to be related party of the Group from 1 October 2010 onwards. Details is set out in note (iii)(c) of condensed consolidated statement of changes in equity.

Details of the outstanding balances with Pingchuan Iron Mining Company are set out in Note 16.

(iii) Compensation of key management personnel:

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

	Six months ended 30 June 2011 *RMB'000*	Six months ended 30 June 2010 *RMB'000*
Short-term benefits	1,618	1,101
Post-employment benefits	113	105
	1,731	1,206

24. CAPITAL COMMITMENTS

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,793	460

INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 30 November 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following borrowings:

	RMB'000
Amount due to a related party	541
Promissory note — with principal amount of RMB38,296,000	36,219
Secured bank borrowings — term loans (equivalent to the Relevant Loan)	113,054
Unsecured bank borrowings — term loans	143,888
Obligations under finance leases	3,396
	297,098

(b) Pledge of assets

At the close of business on 30 November 2011, the Company's equity interests in certain subsidiaries were pledged to a bank for a credit facility of RMB113,054,000 (equivalent to HK$138,750,000) granted to the Group.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. At the close of the business on 30 November 2011, the carrying value of property, plant and equipment of the Group in respect of assets held under finance leases was RMB6,003,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 November 2011 any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchases commitments, any guarantees or other material contingent liabilities.

WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account of the Group's present available financial resources (including its available banking facilities) and the net cash proceeds from the Open Offer, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

PROPOSED ACQUISITIONS AFTER 31 DECEMBER 2010

(i) Acquisition of equity and loan interests in Morel Well Enterprises Limited ("Morel Well")

As disclosed in the Company's announcement dated 8 April 2011, the Group as purchaser has acquired from Feilong Holdings Limited ("**Feilong**") as vendor the entire issued share capital of Morel Well and a shareholder's loan of RMB3,370,000 owed by Morel Well to Feilong. The total consideration for the acquisition is RMB22.5 million. The acquisition was effected by way of an instrument of transfer and an assignment of loan respectively both dated 8 April 2011 and entered into between the parties thereto. No sale and purchase agreement was further entered into in relation to the acquisition. The above acquisition was completed on 8 April 2011.

Morel Well is an investment holding company and directly owns 8.5% of the equity interest in Baoshan Feilong. Baoshan Feilong is principally engaged in mining and processing zinc and lead in the PRC.

(ii) Proposed acquisition of 22% equity interest in Tong Ling Guan Hua Mining Company Limited* (銅陵冠華礦業有限責任公司)("Tong Ling")

As disclosed in the Company's announcement dated 26 September 2011, pursuant to a sale and purchase agreement dated 26 September 2011, the Group as purchaser has conditionally agreed to purchase and Mr Bao Dongbin, Mr Bao Enwei and Mr Bao Jikun as vendors have conditionally agreed to sell the 22% equity interest in Tong Ling. The consideration for the acquisition is RMB100 million which will be payable in the form of cash only.

Tong Ling is principally engaged in mining, processing and sale of gold in the PRC and is currently owned as to 70% by the Group. Immediately after completion of the acquisition, Tong Ling will be indirectly owned as to 92% by the Group and as to 8% by Mr Bao Jikun.

(iii) Proposed acquisition of 80% interest in a silver, lead and zinc mine in Lao People's Democratic Republic ("Lao PDR")

As disclosed in an announcement of the Company dated 3 November 2011, the Company was currently in preliminary negotiation with Yue Da Enterprise Group (HK) Co., Limited ("**YD Enterprise**"), an associate of Jiangsu YD, in respect of a proposed acquisition of a wholly-owned subsidiary of YD Enterprise, which will in turn own about 80% interest in a company established in the Lao PDR ("**Lao Company**").

According to YD Enterprise, the Lao Company holds the exploitation and exploration rights of a silver, lead and zinc mine and exploration rights of certain other mines located in Lao PDR. As at the Latest Practicable Date, no terms of the above proposed acquisition have been finalised and no formal definitive and binding agreement in relation to the above proposed acquisition has been entered into, and thus the consideration for such acquisition is yet to be determined.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted consolidated net tangible assets (the "**Unaudited Pro Forma Financial Information**") prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the open offer of not less than 228,922,969 and not more than 233,352,381 new shares to be issued by the Company at a subscription price of HK$0.5 per new share on the basis of one new share for every three existing shares (the "**Open Offer**") on the consolidated net tangible liabilities of the Group attributable to owners of the Company as if the Open Offer had been completed on 30 June 2011.

The Unaudited Pro Forma Financial Information has been prepared for illustration purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group attributable to owners of the Company as at the date to which it is made up or at any future date.

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2011	**Deduct: Unaudited total balance attributable to goodwill and intangible assets as at 30 June 2011**	**Unaudited adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2011**	**Unaudited adjusted consolidated net tangible liabilities per Share before completion of the Open Offer**	**Add: Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Open Offer**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*RMB'000*	*RMB'000*	*RMB*
	(note 1)	*(notes 1 & 2)*		*(note 3)*	*(note 4)*		*(notes 5 & 6)*
Based on 228,922,969 new shares issued ("**Minimum Open Offer**")	992,267	(1,053,085)	(60,818)	(0.09)	88,090	27,272	0.03
Based on 233,352,381 new shares issued ("**Maximum Open Offer**")	992,267	(1,053,085)	(60,818)	(0.09)	89,858	29,040	0.03

Notes:

(1) These figures are extracted from the published interim report of the Company for the six months period ended 30 June 2011 (the "**Interim Report**").

(2) The amount includes mining rights of approximately RMB1,490.0 million (which included the mining rights of RMB1,240 million as stated in the condensed consolidated statement of financial position at 30 June 2011 and the mining rights of RMB250 million attributable to the Disposal

Group (as defined in the Interim Report) as stated in the note 17 to the condensed consolidated financial statements for the six months ended 30 June 2011 as included in the Interim Report), goodwill of approximately RMB0.5 million, other intangible assets of approximately RMB51.1 million, net of related deferred tax liabilities of approximately RMB357.8 million and related non-controlling interests of approximately RMB130.7 million.

(3) The unaudited adjusted consolidated net tangible liabilities per Share is based on 686,768,907 Shares in issue as at 30 June 2011.

(4) The estimated net proceeds from the Open Offer of

(i) approximately RMB88.1 million is calculated using the minimum number of 228,922,969 new shares to be issued at a subscription price of HK$0.5 per Offer Share, after deduction of estimated related expenses directly attributable to the Open Offer of approximately RMB5.2 million.

(ii) approximately RMB89.9 million is calculated using the maximum number of 233,352,381 new shares to be issued at a subscription price of HK$0.5 per Offer Share, after deduction of estimated related expenses directly attributable to the Open Offer of approximately RMB5.2 million. The maximum number of Offer Shares is determined based on 700,057,143 shares, comprising the following:

(a) 686,768,907 shares in issue as at the date by reference to which entitlements to the Open Offer are to be determined ("**Record Date**"),

(b) 13,288,236 shares assuming full exercise of share options on or before the Record Date except for the share options held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya, directors of the Company, with aggregate amount of share options of 2,903,460 because they have undertaken not to exercise their share options before the end of the Record Date.

The exchange rate used for translation of Hong Kong dollars to Renminbi in respect of the unaudited pro forma financial information is HK$1 = RMB0.8148.

(5) For Minimum Open Offer, the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Open Offer and on the basis of 915,691,876 shares issued and issuable, comprising 686,768,907 existing shares in issue as at 30 June 2011 and 228,922,969 new shares to be issued pursuant to the Open Offer.

(6) For Maximum Open Offer, the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Open Offer and on the basis of 920,121,288 shares issued and issuable, comprising 686,768,907 existing shares in issue as at 30 June 2011 and 233,352,381 new shares to be issued pursuant to the Open Offer.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

TO THE DIRECTORS OF YUE DA MINING HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Yue Da Mining Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustration purposes only, to provide information about how the open offer of not less than 228,922,969 and not more than 233,352,381 new shares to be issued by the Company at a subscription price of HK$0.5 per new share on the basis of one new share for every three existing shares might have affected the financial information presented, for inclusion in Appendix II of the circular dated 19 January 2012 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 to II-2 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 January 2012

1. RESPONSIBILITY STATEMENT

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Open Offer (assuming (i) no Share Options are exercised on or before the Record Date and (ii) all Share Options are exercised on or before the Record Date except those held by Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya (all being concert parties with the Underwriter) who gave the Directors' Undertakings) will be, as follows:

(i) As at the Latest Practicable Date

Authorised share capital:		*HK$*
2,000,000,000 Shares		200,000,000
Issued and fully paid share capital or credited as fully paid:		
686,768,907 Shares		68,676,890.70

(ii) Upon completion of the Open Offer

Authorised share capital:		*HK$*
2,000,000,000 Shares		200,000,000
Issued and fully paid share capital or credited as fully paid:		
686,768,907 Shares	Shares in issue as at the Latest Practicable Date	68,676,890.70

(aa) Assuming no Share Options are exercised on or before the Record Date:

228,922,969 Shares	Offer Shares to be issued pursuant to the Open Offer	22,892,296.90
915,691,876 Shares	Shares in issue upon completion of the Open Offer	91,569,187.60

(bb) Assuming all Share Options are exercised on or before the Record Date (except the Outstanding Options held by each of Messrs. Liu Xiaoguang, Chen Yunhua and Qi Guang Ya):

233,352,381 Shares	Offer Shares to be issued pursuant to the Open Offer	23,335,238.10
13,288,236 Shares	Shares to be issued pursuant to exercise of Share Options	1,328,823.60
933,409,524 Shares	Shares in issue upon completion of the Open Offer	93,340,952.40

The issued Shares are listed on the Stock Exchange. All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid or credited as fully paid, rank pari passu in all respects with the existing Shares in issue on the date of their allotment in fully-paid form.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares and the Shares to be allotted and issued upon exercise of the Share Options to subscribe for up to 16,191,696 Shares.

Upon the Open Offer becoming unconditional, the exercise price of and/or the number of Shares comprised in the Share Options may be subject to adjustments.

There has been no alteration to the authorised and issued share capital of the Company since the end of the last financial year of the Company, being 31 December 2010, up to the Latest Practicable Date.

(b) Share options

As at the Latest Practicable Date, there were Share Options attaching subscription right to subscribe for an aggregate of 16,191,696 Shares granted under the applicable rules of the Share Option Scheme at exercise prices ranging from HK$0.9063 to HK$1.716.

Number of Outstanding Options	Holders of Outstanding Options	Exercise price per Share (HK$)	Date of grant	Exercisable Period From	To
5,273,495	701,730 (Directors) 4,571,765 (employees)	0.9063	27 May 2009	28 May 2009	26 May 2019
8,058,201	2,105,190 (Directors) 5,953,011 (employees)	0.9063	27 May 2009	9 July 2009	24 May 2018
2,200,000	1,500,000 (Directors) 700,000 (employees)	1.716	19 April 2010	20 April 2010	19 April 2020
144,000	(employees)	1.35	16 December 2010	17 December 2010	16 December 2020
150,000	(employees)	1.716	19 April 2010	20 April 2011	19 April 2020
108,000	(employees)	1.35	16 December 2010	17 December 2011	16 December 2020
150,000	(employees)	1.716	19 April 2010	20 April 2012	19 April 2020
108,000	(employees)	1.35	16 December 2010	17 December 2012	16 December 2020

Upon the Open Offer becoming unconditional, the exercise prices and/or number of the Share to be allotted and issued pursuant to the exercise of the Outstanding Options may be subject to adjustments. Further announcement will be made in this regard.

(c) Convertible securities

As at the Latest Practicable Date and save for the Share Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares or outstanding debt securities in issue.

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive (if any) had, or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they have taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Name of directors	Capacity	Number of Shares[1]	Percentage of shareholding
Dong Li Yong	Beneficial owner	3,000,000	0.44%
	Beneficial owner	1,403,460[2]	0.20%
		4,403,460	0.64%
Liu Xiaoguang	Beneficial owner	600,000	0.09%
	Beneficial owner	701,730[2]	0.10%
		1,301,730	0.19%
Hu Huaimin	Beneficial owner	848,000	0.12%
	Beneficial owner	1,111,072[2]	0.16%
		1,959,072	0.28%
Chen Yunhua	Beneficial owner	1,500,000[3]	0.22%
Qi Guang Ya	Beneficial owner	701,730[3]	0.10%

Notes:

(1) All interests in the Shares and underlying Shares were long positions. None of the Directors held any short position in the Shares and underlying Shares.

(2) These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 27 May 2009 under the share option scheme of the Company with an exercise price of HK$0.9063 per Share.

(3) These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 19 April 2010 under the share option scheme of the Company with an exercise price of HK$1.716 per Share.

Save as disclosed above, as at the Latest Practicable date, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS BY PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

(a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who, direct or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of the Shareholder	Capacity	Number of Shares[1]	Percentage of shareholding
YDHK	Beneficial owner	252,016,000	36.76%
		150,314,868 (underwriting commitment)	21.89%
Jiangsu YD	Interest of a controlled corporation	252,016,000[2]	36.76%
		150,314,868 (underwriting commitment by YDHK)	21.89%

Notes:

(1) All interests in the Shares and underlying Shares were long positions.

(2) These Shares are registered in the name of YDHK. Jiangsu YD holds the entire issued share capital of YDHK. Mr Liu Xiaoguang, an executive Director, is a director of YDHK. Mr Chen Yunhua, a non-executive Director, is a director of YDHK and the chairman of the board of Jiangsu YD. Mr Qi Guang Ya, a non-executive Director, is a director of Jiangsu YD.

(3) Save as disclosed above, none of the Directors was a director or an employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as is known to the Directors, other than a Director or chief executive of the Company, there is no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

5. DIRECTOR'S INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

(1) none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

(2) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

(3) none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company, nor any fund managed on a discretionary basis by any fund manager connected with the Company had any interest in the securities of the Company and the Underwriter as at the Latest Practicable Date.

(4) there was no agreement, arrangement or understanding between the Underwriter and parties acting in concert with it and other persons that the Offer Shares to be acquired by the Underwriter under the Underwriting Agreement would be transferred charged or pledged to that person.

(5) each of the Underwriter and its concert parties (including Mr. Li Xiaoguang, Mr. Chen Yunhua, Mr. Qi Guang Ya and Mr. Pan Wanqu), and Mr. Dong Li Yong and Mr. Hu Huaimin and Shareholders who are interested in or involved in, the Underwriting Agreement, the Open Offer and the Whitewash Waiver will abstain from voting at the EGM in respect of the resolutions in relation to the Open Offer and the Whitewash Waiver. Save for the above, none of the Shareholders had, prior to the Latest Practicable Date, irrevocably committed itself to vote for or against the Open Offer and the Whitewash Waiver, and save for the Underwriter, none of the Shareholders, prior to the posting of this circular, had irrevocably committed themselves to accept or reject the Offer Shares to which they are entitled.

(6) except for the entering into of the Underwriting Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Underwriter or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer, Underwriting Agreement and/or the Whitewash Waiver.

(7) there was no benefit given or agreed to be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver.

(8) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver.

(9) none of the Directors had a material personal interest in any material contract entered into by the Underwriter.

6. SHAREHOLDINGS AND DEALINGS

(1) As at the Latest Practicable Date, except as disclosed under paragraph 4 of this appendix above, the Underwriter does not own or control any other Shares, convertible securities, warrants, options or derivatives in respect of the Shares, nor had the Underwriter dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date. The shareholding of the Underwriter in the Company immediately before and after completion of the Open Offer is set out in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the letter from the Board in this circular. As at the Latest Practicable Date, neither the Company nor the Directors are interested in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Underwriter, nor had the Company or the Directors dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Underwriter during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date.

(2) Save for the Shares held by Mr. Liu Xiaoguang and Mr. Chen Yunhua as disclosed in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the letter from the Board and in the section headed "DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES" in this appendix in this circular, as at the Latest Practicable Date, none of the directors of the Underwriter is interested in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares; nor had any such directors dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the Shares during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date.

(3) As at the Latest Practicable Date, save as disclosed under paragraph 3 of this appendix above, none of the Directors are interested in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares. None of such persons have dealt for value in any Shares, convertible securities, warrants,

options or derivatives of the Shares during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date. None of the Directors are interested in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Underwriter. None of such persons have dealt for value in any shares, convertible securities, warrants, options on derivatives of the shares of the Underwriter during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date. As at the Latest Practicable Date, each of Mr. Dong Li Yong, Mr. Hu Huaimin, Mr. Qi Guang Ya, Mr. Liu Xiaoguang and Mr. Chen Yunhua has expressed his intention to accept his assured entitlements under the Open Offer.

(4) Save for the Shares held by the Underwriter and parties acting in concert with it as disclosed in section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the letter from the Board in this circular, as at the Latest Practicable Date, none of the Underwriter and parties acting in concert with it owned or controlled any other Shares, convertible securities, warrants, options or derivatives of the Shares; nor had any such persons dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date.

(5) The Shares held by the Underwriter (who has irrevocably committed itself to accept and to procure its associates to accept their respective entitlements under the Open Offer pursuant to the Underwriting Agreement) are disclosed in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the letter from the Board in page 21 of this circular and it has not dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date. Save as disclosed in this paragraph (5), as at the Latest Practicable Date, there is no other person who, prior to the posting of this circular, has irrevocably committed himself/herself to accept or reject the Open Offer and/or the Whitewash Waiver.

(6) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (i) the Underwriter or any person acting in concert with it; or (ii) the Company or any person who was an associate of the Company by virtue of class (1), (2), (3) or (4) of the definition of "associate" as defined under the Takeovers Code.

(7) As at the Latest Practicable Date, neither any pension fund of the Group nor a subsidiary of the Company nor any adviser of the Company as specified in class (2) of the definition of associate in the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options, or derivatives of the Shares as at the Latest Practicable Date.

(8) No Shares were managed on a discretionary basis by any fund managers connected with the Company.

(9) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives in respect of the Shares have been borrowed or lent by the Company and/or the Directors.

(10) As at the Latest Practicable Date, none of YDHK and its concert parties (comprising YDHK, Jiangsu YD, Messrs. Liu Xiaoguang, Chen Yunhua, Qi Guang Ya and Pan Wanqu) borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of the Shares or shares in YDHK.

7. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, no Director or his/her respective associates had any interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MARKET PRICE

The table below sets out the closing prices of the Shares quoted on the Stock Exchange on the (i) last Business Day of each of the calendar month during the period between June 2011 to December 2011, being six months preceding the date of the Announcement and ending on the Latest Practicable Date, (ii) the Last Trading Day; and (iii) the Latest Practicable Date, respectively:

Month	**Closing price of Shares**
	(HK$)
June 2011	1.04
July 2011	1.00
August 2011	0.95
September 2011	0.55
October 2011	0.77
November 2011	0.79
Last Trading Day	0.72
December 2011	0.63
Latest Practicable Date	0.60

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the date of the Announcement, and ending on the Latest Practicable Date were HK$1.10 on 15 June 2011 and HK$0.55 on both 30 September 2011 and 11 January 2012, respectively.

9. NO MATERIAL CHANGE

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up:

(1) on 26 September 2011, the Company announced that Ample Source Investment Limited ("**Ample Source**"), an indirect wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement with Mr Bao Dongbin, Mr Bao Enwei and Mr Bao Jikun as vendors, pursuant to which Ample Source has conditionally agreed to purchase and Mr Bao Dongbin, Mr Bao Enwei and Mr Bao Jikun have conditionally agreed to sell the 22% equity interest in Tong Ling Guan Hua Mining Company Limited* ("**Tong Ling**") at a total consideration of RMB100 million. Such transaction has not yet been completed.

(2) for the six months ended 30 June 2011, the Group recorded unaudited profit and total comprehensive income for the period of approximately RMB58.9 million. The profit and total comprehensive income of the Group for the six months ended 30 June 2011 increased substantially as compared to that for the six months ended 30 June 2010 of approximately HK$28.6 million principally due to (i) the overall market for zinc, lead, iron and gold have started to improve since the third quarter of 2009; (ii) the Group has received a compensation of approximately RMB44,186,000 from profit guarantee given by vendors of Tong Ling, details of which were disclosed in the announcement of the Company dated 16 April 2010;

(3) on 16 August 2011, Yue Da Mining Limited, a wholly-owned subsidiary of the Company as vendor, entered into a disposal agreement with Feng Hua Group Limited as purchaser, to dispose 41.1% interests in each of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited (collectively "**Target BVI Companies**") and a shareholder's loan of RMB31,902,677.12 owed by the Target BVI Companies to Yue Da Mining Limited before the disposal to Feng Hua Group Limited at a total consideration of RMB91 million. Such transaction was completed on 30 December 2011; and

(4) on 8 April 2011, Yue Da Mining Limited entered into an instrument of transfer and assignment of loan agreement with Feilong Holdings Limited ("**Feilong Holdings**"), pursuant to which Yue Da Mining Limited acquired 100 ordinary shares of US$1 each, being the entire issued share capital of Morel Well Enterprises Limited ("**Morel Well**") and a shareholder's loan of RMB3,370,000 owed by Morel Well to Feilong Holdings immediately before the acquisition from the Feilong Holdings at a total consideration of RMB22.5 million. Such transaction was completed on 8 April 2011.

10. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the members of the Group after the date of two years immediately preceding the date of the Announcement, and up to the Latest Practicable Date, and are or may be material:

(a) the Underwriting Agreement;

(b) the underwriting agreement dated 13 January 2010 entered into among the Company, OSK Securities Hong Kong Limited ("**OSK**") and Get Nice Securities Limited ("**Get Nice**") as underwriters in relation to an open offer, pursuant to which (i) Get Nice agrees to underwrite 50,000,000 offer shares on a several basis and (ii) OSK agrees to underwrite not less than 97,528,982 offer shares and not more than 113,582,982 offer shares on a several basis, each at a commission of two per cent. of the aggregate subscription price of HK$1.2 per offer share in respect of the number of offer shares underwritten by Get Nice and in respect of the maximum number of the offer shares underwritten by OSK respectively;

(c) the framework agreement dated 10 March 2010 entered into between the Company and 四川省鹽源縣平川鐵礦 ("**Pingchuan Iron Mining Company**"), pursuant to which the Company is to form a joint venture with Pingchuan Iron Mining Company, with the Company and Pingchuan Iron Mining Company holding 49% and 51% equity interest in the joint venture respectively (no payment of consideration was involved in the said agreement);

(d) the conditional acquisition agreement dated 15 April 2010 entered into among Yue Da Mining Limited, a wholly-owned subsidiary of the Company, with, among others, Bright Harvest Holdings Limited ("**Bright Harvest**") to acquire the entire issued share capital of Absolute Apex Limited and the shareholder's loan from Bright Harvest at the consideration of HK$259 million;

(e) the joint venture agreement dated 20 May 2010 ("**JV Agreement**") entered into between Pingchuan Iron Mining Company and Yue Da Pingchuan Limited, a wholly owned subsidiary of the Company for the formation of 涼山州悅川礦業有限責任公司 ("**Yuechuan JV**") which would be principally engaged in the exploration of black and nonferrous metals and the purchase and sale of mineral products (including iron, lead and zinc), pursuant to which Pingchuan Iron Mining Company and Yue Da Pingchuan Limited have contributed RMB51 million and RMB49 million respectively to Yuechuan JV;

(f) the supplemental agreement to the JV Agreement dated 2 July 2010 entered into between Pingchuan Iron Mining Company and Yue Da Pingchuan Limited, pursuant to which a mine situated at Yanyuan County, Sichuan Province, the PRC comprising an area of about six square kilometers of 平川鐵礦後備礦山爛紙廠礦段(Pingchuan Iron Reserve Mine (Lanzhichang lot)*) would be developed by Yuechuan JV (no payment of consideration was involved in the said agreement);

(g) the instrument of transfer and an assignment of loan agreement dated 8 April 2011 and entered into between Yue Da Mining Limited, a wholly-owned subsidiary of the Company, and Feilong Holdings, pursuant to which Yue Da Mining Limited acquired 100 ordinary shares of US$1 each, being the entire issued share capital of the Morel Well and a shareholder's loan of RMB3,370,000 owed by Morel Well to Feilong Holdings immediately before the acquisition from the Feilong Holdings at a total consideration of RMB22.5 million;

(h) the disposal agreement dated 16 August 2011 entered into between Feng Hua Group Limited as purchaser and Yue Da Mining Limited, a wholly-owned subsidiary of the Company, as vendor, pursuant to which Yue Da Mining Limited would dispose 41.1% interest in each of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited (collectively the "**Target BVI Companies**") and a shareholder's loan of RMB31,902,677.12 owed by the Target BVI Companies to Yue Da Mining Limited immediately before the disposal to Feng Hua Group Limited at a total consideration of RMB 91 million;

(i) the share purchase agreement dated 26 September 2011 ("**Tong Ling SP Agreement**") entered into between Ample Source as purchaser, an indirect wholly-owned subsidiary of the Company, and Mr Bao Dongbin, Mr Bao Enwei and Mr Bao Jikun as vendors (collectively the "**Vendors**"), pursuant to which Ample Source would acquire an aggregate of 22% of equity interests in Tong Ling, a limited liability company established in the PRC which was owned as to 70% by Ample Source, at an aggregate consideration of RMB100 million; and

(j) the supplemental agreement dated 14 October 2011 to the Tong Ling SP Agreement entered into between Ample Source and the Vendors, pursuant to which the parties thereto have agreed to extend the long stop date of the Tong Ling SP Agreement from 31 December 2011 to 30 June 2012 at nil consideration.

11. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

12. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Athens Capital	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Guotai Junan	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants

Athens Capital, Guotai Junan and Deloitte Touche Tohmatsu have given, and have not withdrawn, their written consents to the issue of this circular with the inclusion herein of their letters or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Athens Capital, Guotai Junan and Deloitte Touche Tohmatsu had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of Athens Capital, Guotai Junan and Deloitte Touche Tohmatsu have any direct or indirect interests in any assets which have been, since 31 December 2010 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

13. SERVICE CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had entered or was proposing to enter into any service contract with the Company, or any member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation);

(b) there are no service contracts between the Directors and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement;

(c) there are no service contracts between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more; and

(d) there are no service contracts between any Director and the Company or any of its subsidiaries or associated companies which are fixed terms contracts with more than 12 months to run irrespective of the notice period.

14. PARTICULARS OF DIRECTORS

(1) Name and address of the Directors

Name	**Address**
Executive Directors	
Mr. Dong Li Yong	Flat C2, 9th Floor Paterson Building 37 Paterson Street Causeway Bay Hong Kong
Mr. Liu Xiaoguang	Room 21–304 Shenghuai Community East Yulong Road Yancheng Municipality Jiangsu Province PRC
Mr. Hu Huaimin	Flat C2, 9th Floor Paterson Building 37 Paterson Street Causeway Bay Hong Kong
Non-executive Directors	
Mr Chen Yunhua	Room 401, Block 38 Yi Yuan Ting Hu District Yancheng City Jiangsu Province PRC
Mr Qi Guang Ya	Room 11–505 West Yuedadushi Community Middle Renmin Road Yancheng Municipality Jiangsu Province PRC

Name	Address
Independent non-executive Directors	
Ms Leung Mei Han	3 Braga Circuit Mongkok Kowloon Hong Kong
Mr Cui Shu Ming	Flat B, 17th Floor Tower 11, Caribbean Coast 1 Kin Tung Road Tung Chung New Territories Hong Kong
Mr Han Run Sheng	1 Wenchang Alley North Huancheng Road Wuhua District Kunming Municipality Yunnan Province PRC
Dr Liu Yongping	Flat B, 22th Floor The Rednaxela No. 1 Rednaxela Terrace Mid-Levels Hong Kong

(2) Brief biographical details of the Directors

Executive Directors

Mr. DONG Li Yong, aged 41, joined the Group in 1995. Mr. Dong has been an executive Director of the Company since 2001. While remaining as an executive Director of the Company, he also holds office of vice chairman of the Board and chief executive officer of the Company. He is primarily responsible for the overall business operations of the Group focusing on strategic planning, business development, investors' relationship as well as corporate finance. He graduated from the People's University of China, Beijing in 1995 with a bachelor degree in economics, majored in marketing. In May 2005, Mr. Dong graduated from the Haas School of Business, University of California, Berkeley with a master degree in business administration. Mr. Dong is also a director of each of Yue Da Mining Limited, Yue Da Infrastructure Limited and eleven other subsidiaries of Yue Da Mining Limited incorporated in the BVI, all being direct/indirect subsidiaries of the Company.

Mr. LIU Xiaoguang, aged 58, joined the Group as a non-executive Director in January 2007. He is a senior economist in the PRC. He graduated from Soochow University with a bachelor degree in jurisprudence. He has over 18 years' experience in corporate planning and management. In 1991, Mr. Liu joined Jiangsu YD and had been an assistant to general manager, deputy general manager and chief secretary to the board of directors of Jiangsu YD. Mr. Liu is a director of YDHK.

Mr Hu Huaimin, aged 38, joined the Group in January 2007 and is the executive vice president of the Company. His major job responsibilities include the operation and management of mining projects of the Group. Also, he is currently a director of each of Feilong Nonferrous (保山市飛龍有色金屬有限責任公司), Tengchong Ruitu Mining and Technology Company Limited* (騰沖縣瑞土礦業有限責任公司), Yaoan Feilong Mining Co., Ltd.* (姚安縣飛龍礦業有限責任公司), Zhen'an County Daqian Mining Development Co., Ltd.* (鎮安縣大乾礦業發展有限公司), Tong Ling and Yuechuan JV (涼山州悦川礦業有限責任公司), all of which are the subsidiaries of the Company. Mr Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 15 years of experience in the Chinese lawyer practice, corporate legal affairs, investment project operation and management.

Non-Executive Directors

Mr Chen Yunhua, aged 58, joined the Group in November 2009, is the chairman of the Board and is a senior economist in the PRC. He graduated from 鹽城師範專科學校 with post-secondary qualification, majoring in Chinese in 1977. He has over 30 years' experience in political and economics business management. Previously, Mr Chen assumed supervisory posts at the PRC bureau at Yancheng City, Jiangsu Province, the PRC. He is a deputy to the tenth Provincial People's Congress of Jiangsu, a deputy to the fourth Municipal People's Congress of Yancheng, the vice president of the sixth Municipal Committee of the Chinese People's Political Consultative Conference of Yancheng, a director of YDHK and the chairman of the board of Jiangsu YD.

Mr. QI Guangya, aged 42, joined the Group as a non-executive Director since January 2007. He is a senior accountant and a certified public accountant in the PRC and a senior international finance manager certified by International Finance Management Association (國際財務管理協會). He graduated from Jiangsu Provincial Party Committee School (江蘇省委黨校) with a postgraduate degree. He has over 20 years' experience in financial management. In 1991, Mr. Qi joined a subsidiary of Jiangsu YD, and has been a director, chief accountant and deputy general manager of Jiangsu YD.

Independent non-executive Directors

Mr. HAN Runsheng, aged 47, has been appointed as an independent non-executive Director of the Company in January 2007. He graduated from the Kunming University of Science and Technology with a doctoral degree in mineral resource prospecting and exploration (礦產普查與勘探) and completed the post-doctoral fellowship at the Institute of Geochemistry of the Chinese Academy of Sciences (中國科學院地球化學研究所). Mr. Han was a researcher and tutor to doctoral degree candidates at the Kunming University of Science and Technology. Mr. Han was also the head of Southwest Geology Survey Centre of the Institute of Mineral and Geology Survey of Nonferrous Metals (有色金屬礦產地質調查中心西南地質調查所所長) and a part-time professor at Southwest University of Science and Technology. In addition, Mr. Han is currently the Cross-Century Young Academic and Technical Leader of the Yunnan Province (雲南省跨世紀中青年學術和技術帶頭人) and the State-level candidate of the project of "Hundreds, Thousands, and Ten Thousands of Talents for the New Century" (新世紀百千萬人才工程) of the Ministry of Education. Mr. Han's major areas of research study are the research and teaching of the location forecasting of concealed ore-body, tectonic geochemistry, dynamic tectonic mineralization and mineral and geology survey.

Ms. LEUNG Mei Han, aged 53, has been appointed as an independent non-executive Director of the Company since January 2007. She is a fellow member of CPA Australia. She graduated from the University of Queensland with a bachelor degree in commerce. Ms. Leung is the chairman and an executive director of Optima Capital Limited (a firm of corporate finance advisers and a licensed corporation under the SFO). She has over 27 years' experience in accounting, securities, corporate finance and related areas. Ms. Leung is also an independent non-executive director of Bossini International Holdings Limited and Four Seas Mercantile Holdings Limited, the shares of which are both listed on the Main Board of the Stock Exchange.

Mr. CUI Shuming, aged 74, has been appointed as an independent non-executive Director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd. (浙江興業銀行) and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of CITIC International Financial Holdings Limited, an independent non-executive director of Burwill Holdings Limited and China LotSynergy Holdings Limited, the shares of which are listed on the Main Board and the Growth Enterprise Market of the Stock Exchange respectively.

Dr. LIU Yongping, aged 56, is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China (中國人民大學) in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules.

The business address of the Directors is the same as the address of the Company's head office and principal place of business in Hong Kong at Office nos. 3321–3323 and 3325, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

15. SECRETARY OF THE COMPANY

The secretary of the Company is Mr Ong Chi King, who is a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of the Association of Chartered Certified Accountants.

16. MISCELLANEOUS

(1) The principal members of the Underwriter's concert group comprise YDHK, Jiangsu YD, Messrs. Liu Xiaoguang, Chen Yunhua, Qi Guang Ya and Pan Wanqu.

(2) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

17. CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE OPEN OFFER

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1–1111 Cayman Islands
Head office and principal place of business in Hong Kong	Office nos. 3321–3323 and 3325 China Merchants Tower Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Company secretary	Mr Ong Chi King *CPA*
Authorised representatives (for purpose of the Listing Rules)	Mr Dong Li Yong Flat C2, 9th Floor, Block C Paterson Building, 37 Paterson Street Causeway Bay Hong Kong

	Mr Liu Xiao Guang Room 21–304 Shanghuai Community East Yulong Road Yancheng Municipality Jiangsu Province PRC
Auditors	Deloitte Touche Tohmatsu, Certified Public Accountants 35th Floor One Pacific Place 88 Queensway Hong Kong
Legal adviser to the Company as to Hong Kong law	Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Hong Kong
Joint independent financial advisers	Athens Capital Limited 35/F Office Tower Convention Plaza 1 Harbour Road Wanchai Hong Kong
	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal share registrar and transfer office	HSBC Trustee (Cayman) Limited P.O. Box 484 HSBC House 68 West Bay Road Grand Cayman Cayman Islands KY1-1006
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Hong Kong
Underwriter	Yue Da Group (H.K.) Co., Limited Office nos. 3321–3323 and 3325 China Merchants Tower Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong

18. EXPENSES

The expenses in connection with the Open Offer, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately HK$5 million and will be payable by the Company (which is exclusive of the underwriting commission of approximately HK$1.5 million payable by the Company to the Underwriters).

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 10:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Office nos. 3321–3323 and 3325, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Underwriter;

(c) the annual report of the Group for each of the two financial years ended 31 December 2010;

(d) the interim report of the Group for the six months' period ended 30 June 2011;

(e) this circular;

(f) the letter from the Independent Board Committee, the texts of which are set out on pages 30 to 31 of this circular;

(g) the letter signed by Deloitte Touche Tohmatsu setting out their opinion on the unaudited pro forma financial information of the Group, the text of which is set out in Annex II to this circular;

(h) the letter of advice from Athens Capital and Guotai Junan as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 32 to 53 of this circular;

(i) the written consents referred to under the section headed "Experts and Consents" in this appendix; and

(j) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix.

The above copy documents (except this circular) will also be available at the website of the Securities and Futures Commission at www.sfc.hk and Company's website at www.yueda.com.hk from the date of this circular up to (and including) the date of the EGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Yue Da Mining Holdings Limited (the "**Company**") will be held at Office Nos. 3321–3323 & 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on 9 February 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (with or without modifications) which will be proposed as ordinary resolutions of the Company:

1. "**THAT** subject to (i) the resolution 2 below being passed and (ii) the Underwriting Agreement dated 15 December 2011 entered into between the Company and the Underwriter (a copy of the Underwriting Agreement marked "A" has been produced to this meeting and initialed by the Chairman of the meeting for the purpose of identification) becoming unconditional and not being terminated in accordance with its terms:

   (a) the Open Offer on the terms and subject to the conditions set out in the Circular (a copy of the Circular has been produced at the meeting marked "B" and initialed by the Chairman of the meeting for the purpose of identification) be and is hereby approved; and

   (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder."

2. "**THAT** the application for a waiver to the Executive for waiving the obligation of YDHK (as defined in the Circular) and parties acting in concert with it to extend a general offer to acquire all issued Shares (excluding the Shares which are owned or agreed to be acquired by any of them) under Rule 26 of the Takeovers Code as a result of the Open Offer and the Underwriting Agreement be and is hereby approved and that any one or more Directors be and is/are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give full effect to any matters relating to or in connection with the Whitewash Waiver."

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

Hong Kong, 19 January 2012

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Office Nos. 3321–3323 &3325
33/F, China Merchants Tower,
Shun Tak Centre,
No. 168–200 Connaught Road Central,
Hong Kong

Notes:

(1) A member entitled to attend and vote at the EGM may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the EGM is enclosed.

(2) In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Branch Registrar not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

As at the date of hereof, the Board comprises the following members: (a) as executive Directors, Mr Dong Li Yong, Mr Liu Xiaoguang and Mr Hu Huaimin; (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.

* *for identification purposes only*