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YUE DA MINING HOLDINGS LIMITED

悦達礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Yue Da Mining Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2011 (the “Year”) together with the comparative figures for the previous year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	<i>NOTES</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Revenue	3	416,795	350,816
Cost of sales		(251,152)	(181,375)
Direct operating costs		(34,498)	(40,378)
Gross profit		131,145	129,063
Other income		5,739	3,952
Other gains and losses	5	83,429	10,874
Gain on bargain purchase of acquisition of subsidiaries		—	13,405
Administrative expenses		(77,661)	(67,414)
Finance costs		(24,540)	(29,529)
Other expenses		—	(1,313)
Profit before tax		118,112	59,038
Income tax expense	6	(17,488)	(15,436)
Profit and total comprehensive income for the year	7	100,624	43,602

	<i>NOTE</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit and total comprehensive income for the year attributable to:			
— Owners of the Company		105,022	35,529
— Non-controlling interests		(4,398)	8,073
		<u>100,624</u>	<u>43,602</u>
Earnings per share	9		
— Basic		<u>RMB15.30 cents</u>	<u>RMB5.71 cents</u>
— Diluted		<u>RMB15.27 cents</u>	<u>RMB5.65 cents</u>

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current Assets			
Property, plant and equipment		168,886	202,670
Prepaid lease payments		3,853	2,504
Mining rights		1,218,948	1,507,303
Available-for-sale investments		70,457	—
Goodwill		482	482
Other intangible assets		42,530	63,938
Long term deposits		6,159	7,455
Other financial asset		—	23,604
		<u>1,511,315</u>	<u>1,807,956</u>
Current Assets			
Prepaid lease payments		238	208
Inventories		38,557	32,957
Trade and other receivables	10	185,113	68,720
Amounts due from related companies		30,058	32,392
Bank balances and cash		127,614	253,741
		<u>381,580</u>	<u>388,018</u>
Current Liabilities			
Trade and other payables	11	70,836	49,885
Amount due to a related company		845	25,996
Amounts due to directors		365	344
Taxation payable		10,070	9,342
Promissory notes — due within one year		7,722	40,957
Bank borrowings — due within one year		206,232	250,262
Obligations under finance leases		2,437	—
		<u>298,507</u>	<u>376,786</u>
Net Current Assets		<u>83,073</u>	<u>11,232</u>
Total Assets Less Current Liabilities		<u><u>1,594,388</u></u>	<u><u>1,819,188</u></u>

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Capital and Reserves		
Share capital	64,874	64,773
Reserves	973,692	863,233
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Equity attributable to owners of the Company	1,038,566	928,006
Non-controlling interests	195,338	271,745
	<hr/>	<hr/>
Total equity	1,233,904	1,199,751
	<hr/>	<hr/>
Non-current Liabilities		
Other payables	20,756	22,106
Promissory notes — due after one year	—	54,668
Bank borrowings — due after one year	—	87,592
Obligations under finance leases	766	—
Consideration payable for acquisition of subsidiaries	—	55,984
Provisions	261	2,496
Deferred tax liabilities	308,280	364,315
Deferred income	30,421	32,276
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	360,484	619,437
	<hr/>	<hr/>
	1,594,388	1,819,188
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Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. REVENUE

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

	2011	2010
	<i>RMB’000</i>	<i>RMB’000</i>
Sale of zinc, lead and iron ore concentrates	339,975	245,018
Sale of compound gold	46,669	41,275
Toll revenue	30,151	64,523
	<u>416,795</u>	<u>350,816</u>

4. SEGMENT INFORMATION

The Group’s reportable and operating segments under HKFRS 8, based on information reported to the chief operating decision maker (“CODM”), represented by the executive directors, for the purposes of resource allocation and performance assessment are 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”)

Segment revenues and results

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

For the year ended 31st December, 2011

	Mining & Mineral Trading Operations RMB'000	Toll road Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	<u>386,644</u>	<u>30,151</u>	<u>416,795</u>
SEGMENT RESULTS			
Segment profit (loss)	<u>81,200</u>	<u>(11,169)</u>	70,031
Other income			5,739
Fair value change in contingent consideration			74,182
Other gains and losses			
— Net foreign exchange gains			12,305
— Gain from 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			(5,024)
— Loss arising on early repayment of promissory notes			(1,873)
— Gain on disposal of subsidiaries			8,930
Central administration costs			(22,279)
Finance costs			<u>(24,540)</u>
Profit before tax			<u>118,112</u>

For the year ended 31st December, 2010

	Mining & Mineral Trading Operations <i>RMB'000</i>	Toll road Operations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
SEGMENT REVENUE			
External sales	<u>286,293</u>	<u>64,523</u>	<u>350,816</u>
SEGMENT RESULTS			
Segment profit	<u>61,484</u>	<u>14,721</u>	76,205
Other income			3,952
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 arising on early repayment of consideration payable for acquisition of subsidiaries			4,007
Gain on bargain purchase of acquisition of subsidiaries			13,405
Central administration costs			(14,574)
Finance costs			(29,529)
Other expenses			<u>(1,313)</u>
Profit before tax			<u>59,038</u>

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

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the People's Republic of China (the "PRC"), the place of domicile of the Group's major operating entities. More than 99% (2010: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

5. OTHER GAINS AND LOSSES

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Fair value change in contingent consideration (<i>note</i>)	74,182	—
Loss arising on early repayment of promissory notes	(1,873)	—
Net (loss) income arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries	(5,024)	4,007
Gain from change in fair value of financial asset designated as at FVTPL	641	1,155
Loss on disposal of property, plant and equipment	(5,732)	(18)
Gain on disposal of subsidiaries	8,930	—
Net foreign exchange gains	12,305	5,730
	<u>83,429</u>	<u>10,874</u>

note: During the year ended 31st December, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company (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. The amount represented the change in fair value of the contingent consideration receivable from Bright Harvest as the compensation in relation to the shortfall of performance by Tong Ling Guan Hua relating to the period from 1st July, 2010 to 31st December, 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 and from July 2011 to August 2011. As a result, a fair value change in contingent consideration of RMB74,182,000 was recognised in the consolidated statement of comprehensive income for the year ended 31st December, 2011. It was settled by an offset against the promissory note issued to Bright Harvest in prior year as part of the consideration for the acquisition of Absolute Apex Limited and its subsidiary. In the absence of the unanticipated temporary suspension, it is expected the performance of Tong Ling Guan Hua will be back on track and the fair value of contingent consideration for the remaining periods is estimated to be insignificant as at the end of the reporting period.

6. INCOME TAX EXPENSE

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
PRC Enterprise Income Tax		
— current year	15,581	16,202
— underprovision in prior years	302	27
	<u>15,883</u>	<u>16,229</u>
Deferred tax		
— current year	1,605	(793)
	<u>17,488</u>	<u>15,436</u>

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 Prefecture Yuechuan Mining Co., Ltd. ("Yuechuan JV") is 25% from 1st January, 2008 onwards.

Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, the Company's other PRC mining subsidiaries, Baoshan Feilong Nonferrous Metal Co., Ltd ("Baoshan Feilong"), Yaoan Feilong Mining Co., Ltd. ("Yaoan") and Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu"), enjoy a preferential tax rate of 15%. In addition, Yaoan and Tengchong Ruitu 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 two PRC subsidiaries is 2007. Accordingly, Yaoan and Tengchong Ruitu were within the tax reduction period and subject to tax rate of 7.5% during the year ended 31st December, 2011. Pursuant to the revised western region preferential tax regulations issued in 2011, enterprises investing in encouraged industries in the western region are entitled to enjoy the preferential tax rate of 15% until 2020. However, up to the date of this announcement, the Catalogue for encouraged industries in the western region has not yet been issued. As such, the application for the extension of western region preferential tax of 15% to 2020 is still in progress.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 24% (2010: 22%) for the year ended 31st December, 2011 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 25% tax rate for the financial year 2012.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit and total comprehensive income for the year has been arrived at after charging:		
Cost of inventories sold	251,152	181,375
Employee benefit expense, including directors' remuneration and share-based payment expense	67,449	59,467
Amortisation of mining rights (included in cost of sales)	38,411	36,090
Depreciation of property, plant and equipment	39,374	27,024
Amortisation of other intangible assets (included in direct operating costs)	21,408	20,297
Auditors' remuneration	2,078	2,183
Release of prepaid lease payments	140	129
and after crediting:		
Interest income from bank deposits	3,775	1,972
Imputed interest income on deferred income	1,855	1,293

8. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

9. 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:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company and profit for the purposes of basic and diluted earnings per share	<u>105,022</u>	<u>35,529</u>
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	686,299,400	622,537,830
Effect of dilutive potential ordinary shares — share options	<u>1,447,086</u>	<u>5,878,913</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>687,746,486</u>	<u>628,416,743</u>

10. TRADE AND OTHER RECEIVABLES

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Trade receivables	9,372	59,078
Bills receivable	<u>17,000</u>	<u>3,000</u>
	26,372	62,078
Deferred consideration receivable	66,550	—
Amount due from Disposal Group (as defined in section headed “Mining and Mineral Trading Operations”)	61,962	—
Amount due from a third party	15,906	—
Advance payments to suppliers	4,265	3,142
Other receivables, deposits and prepayments	<u>10,058</u>	<u>3,500</u>
	<u>185,113</u>	<u>68,720</u>

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 receivable presented based on the invoice date at the end of the reporting period:

	Trade receivables		Bills receivable	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0-60 days	7,401	59,078	—	—
61-120 days	—	—	2,000	3,000
121-180 days	—	—	15,000	—
over 180 days	1,971	—	—	—
	<u>9,372</u>	<u>59,078</u>	<u>17,000</u>	<u>3,000</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly.

11. TRADE AND OTHER PAYABLES

Included in the trade and other payables are trade payables of RMB5,151,000 (2010: RMB5,597,000). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0-60 days	3,567	5,597
61-120 days	1,321	—
over 120 days	263	—
	<u>5,151</u>	<u>5,597</u>

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.

FINANCIAL HIGHLIGHTS

The Group recorded an operating revenue of RMB416,795,000 in the Year, representing an increase of approximately 18.8% over RMB350,816,000 in 2010. Gross operating profit amounted to RMB131,145,000 in the Year, representing an increase of approximately 1.6% as compared to RMB129,063,000 in 2010. The nonferrous metal market has continued to improve since the third quarter of 2009 after the global financial turmoil that surfaced in the third quarter of 2008. The audited profit and total comprehensive income attributable to the owners of the Company for the Year amounted to RMB105,022,000, representing an increase of approximately 195.6% over RMB35,529,000 in 2010 and basic earnings per share amounted to RMB15.3 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any final dividend for the Year (2010: nil).

BUSINESS REVIEW

Overview

The Group is principally engaged in Mining and Mineral Trading Operations and Toll Road Operations. During the Year, the Mining and Mineral Trading Operations realized an operating revenue of RMB386,644,000 with a segment profit of RMB81,200,000. The Toll Road Operations recorded a net operating revenue of RMB30,151,000 and a segment loss of RMB11,169,000.

Mining and Mineral Trading Operations

During the Year, the Mining and Mineral Trading Operations recorded an operating revenue of RMB386,644,000 with a gross profit of RMB135,492,000 and gross profit margin of approximately 35.0%. The Mining Operations (excluding Mineral Trading Operations i.e the trading of iron ore and related products) recorded an operating revenue of RMB342,950,000 (corresponding period of last year: RMB286,293,000) with a gross profit of RMB133,862,000 (corresponding period of last year: RMB104,918,000) and gross profit margin of approximately 39.0% (corresponding period of last year: 36.6%). The Group commenced the Mineral Trading Operations in December 2010. During the Year, the Mineral Trading Operations recorded an operating revenue of RMB43,694,000 (corresponding period of last year: Nil) and a gross profit of RMB1,630,000 (corresponding period of last year: Nil).

The ores extracted during the Year amounted to 1,289,835 tons with a unit mining cost (including gold ores) of approximately RMB69 per ton (2010: RMB61 per ton) and a unit processing cost (including gold ores) of approximately RMB44 per ton (2010: RMB49 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 5,572.14 metal tons, lead ore concentrates (including silver) of 2,276.86 metal tons, iron ore concentrates of 265,616.73 tons and gold of 238.88 kilograms. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB9,146 per metal ton for zinc ore concentrates, RMB16,109 per metal ton for lead ore concentrates (with silver content), RMB686 per ton for iron ore concentrates and RMB321.56 per gram of gold.

During the Year, Tengchong Ruitu Mining and Technology Company Limited (“Tengchong Ruitu”) completed the project of upgrading the technology and enhancing the production capacity of its plant and its operations commenced as planned. The production of mine No. 10 commenced successfully, thus providing a strong assurance of a daily ores processing volume of 2,000 tons.

Baoshan Feilong Nonferrous Metal Co., Ltd. (“Baoshan Feilong”) has further strengthened its effort in exploration activities and has made a smooth progress as planned. The processing plant achieved remarkable results in its technology improvements, and developed a catalyst in improving the grade and the extent of recovery of ore concentrates. On 8th April, 2011, the Group acquired additional 8.5% equity interests in and related shareholder’s loan to Baoshan Feilong. After the acquisition, Baoshan Feilong has become an indirectly wholly-owned subsidiary of the Group. More details of the acquisition are included in the section headed “Acquisition of additional 8.5% equity interests in Baoshan Feilong” of this announcement.

Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”) achieved a better result in mining activities of mine No. 8 in order to supply ores required by the processing plant for its normal production. Currently, Yaoan Feilong is under further improvement of production optimization and technology of its processing plant, it is expected that the grade and the extent of recovery of ore concentrates will be improved significantly after completion.

Zhen’an County Daqian Mining Development Co., Ltd. (“Daqian Mining”) in Shanxi Province of the PRC is expanding its exploration activities as planned by speeding up the preparation of construction of a new processing plant with a daily processing volume of 600 tons.

On 16th August, 2011, the Group entered into a disposal agreement for the disposal of 41.1% equity interests in and the related shareholder’s loans to the holding companies of the mining project located in Wengniute Banner of Inner Mongolia (the “Disposal Group”). More details of the disposal are included in the section headed “Disposal of Subsidiaries” of this announcement.

On 30th June, 2010, the Group completed the acquisition of 70% equity interests in Tong Ling Guan Hua being the holder of mining rights of a gold mine and an exploration licence of an iron mine in Anhui Province, the PRC. The Group has focused on improving technology and increasing production capacity during the period from the completion of the acquisition to 31st December, 2011. The Group has received a compensation of approximately RMB74,182,000 in relation to the shortfall of performance by Tongling Guan Hua for the period from March 2011 to May 2011 and from July 2011 to August 2011 due to an unanticipated temporary suspension of mining operation for regional safety inspection by local government authority. Since January 2012, Tong Ling Guan Hua has been under full production capacity. On 26th September, 2011, the Group entered into a conditional sale and purchase agreement for the proposed acquisition of additional 22% equity interests in Tong Ling Guan Hua. More details of the proposed acquisition are included in section headed “Proposed acquisition of additional 22% equity interests in Tong Ling Guan Hua” of this announcement.

To strengthen the upstream development of the Group, on 28th April 2011, the Company entered into a geological exploration strategic services agreement with Jiangsu East China Geological Surveying Company Limited (“Jiangsu East China”) for the supply of geological exploration technical support and advisory services by Jiangsu East China in respect of the Group’s mining resources exploration projects within and outside China for a period of ten years commencing on 28th April, 2011.

To maintain recurring sales and cashflow to the Group, four strategic co-operation agreements with a term of 10 years were entered 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, a subsidiary of Wuhan Iron and Steel (Group) Corp., details of which were disclosed in the announcements of the Company dated 21st November, 2008, 9th December, 2008 and 22nd December, 2009, respectively. The above agreements continued to be in force during the Year.

Toll Road Operations

Wen An Section of the National Highway 106 in Hebei Province (the “Wen An Section”) is located in Langfang, Hebei Province and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) was 17,841 during the Year (2010: 26,483) while the operating revenue achieved RMB30,151,000, which represented an decrease of approximately 53.3% from RMB64,523,000 in 2010. The Board believes that the significant decrease in operating revenue was attributable to the commencement of operation of the Da Guang Highway, which is near to the National Highway 106, in December 2010.

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

Co-operation with 四川省鹽源縣平川鐵礦 Sichuan Province Yanyuan County Pingchuan Iron Mine (“Pingchuan Iron”)

On 20th May, 2010, Pingchuan Iron and Yue Da Pingchuan Limited (“Yue Da Pingchuan”), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Pingchuan Iron in relation to the formation of 涼山州悅川礦業有限責任公司 Liangshan Prefecture Yuechuan Mining Co., Limited (“Yuechuan JV”) in the PRC. On 2nd July, 2010, Pingchuan Iron and Yue Da Pingchuan entered into a supplemental joint venture agreement in relation to the development of Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC (“Pingchuan Iron Mine”) by Yuechuan JV. Yuechuan JV, a limited liability company, was formed on 8th July, 2010. The registered capital of Yuechuan JV is RMB100 million and the equity interest of which is owned as to 49% by Yue Da Pingchuan and 51% by Pingchuan Iron. Yue Da Pingchuan and Pingchuan Iron contributed RMB49 million and RMB51 million respectively to the registered

capital of Yuechuan JV. The board of directors of Yuechuan JV consists of five directors of which two directors were nominated by Pingchuan Iron and three directors were nominated by Yue Da Pingchuan. As Yue Da Pingchuan has the right to appoint a majority of the board of directors of Yuechuan JV, Yuechuan JV is regarded as a non-wholly owned subsidiary of the Company. Yuechuan JV is expected to embark on the development of Pingchuan Iron Mine which includes, without limitation:

- (i) the exploitation, mining and processing of the reserves in Pingchuan Iron Mine which mainly comprise of iron;
- (ii) the acquisition, restructuring and/or investment in other iron mining enterprises in Yanyuan County, Sichuan Province, the PRC, targeted to be implemented towards the end of 2013;
- (iii) the in-depth exploration of other mining sites in Yanyuan County, Sichuan Province, the PRC, the reserves in which are mainly expected to be iron, copper and gold; and
- (iv) the cleansing and processing of copper of other mining sites in Yanyuan County, Sichuan Province, the PRC.

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

Disposal of Subsidiaries

On 16th August, 2011, Yue Da Mining Limited (“YDM”), a wholly owned subsidiary of the Company entered into a disposal agreement with Feng Hua Group Limited to dispose the 41.1% equity interests and related shareholder’s loans of each of the holding companies of the mining project located in Wengniute Banner at a total consideration of RMB91,000,000. The disposal was completed on 30th December, 2011. Upon completion of the disposal, such holding companies of the Wengniute Banner mining project ceased to be the subsidiaries of our Group and our Group would not be involved in the management, financial and operating decisions, and day to day operations of Disposal Group. Accordingly, the remaining 49% equity interests in Disposal Group is classified as available-for-sale investments of the Group.

Acquisition of additional 8.5% equity interests in Baoshan Feilong

On 8th April, 2011, YDM completed the acquisition of 100% interests in Moral Well Enterprises Limited (“Moral Well”) and related shareholder’s loan at a total consideration of RMB22.5 million. Moral Well is an investment holding company and directly owns 8.5% equity interests in Baoshan Feilong. Following the completion of the acquisition of Moral Well, Baoshan Feilong has become a wholly owned subsidiary of the Company and therefore the Group has had full control of the operations of and become entitled to all the profits from Baoshan Feilong.

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

On 3rd November, 2011, the Company announced that the Company is currently in preliminary negotiation with Yue Da Enterprise Group (HK) Co., Limited ("YD Enterprise"), an associate of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") being a substantial shareholder of the Company, in respect of a proposed acquisition of a wholly-owned subsidiary of YD Enterprise, which would in turn own about 80% interest in a company ("Lao Company") established in Lao PDR. According to YD Enterprise, the Lao Company holds the exploitation and exploration right of silver, lead and zinc mine and exploration rights of certain other mines located in Lao PDR. The Company is currently conducting due diligence work on the Lao Company and engaging in further negotiation of the terms of the proposed acquisition.

Proposed acquisition of additional 22% equity interests in Tong Ling Guan Hua

On 26th September, 2011, Ample Source Investment Limited ("Ample Source"), an indirectly wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement ("Tong Ling Agreement") with Mr. Bao Dongbin, Mr. Bao Enwei and Mr. Bao Jikun for the proposed acquisition of 22% equity interests in Tong Ling Guan Hua at an aggregate consideration of RMB100 million. As at the date of Tong Ling Agreement, each of Mr. Bao Dongbin and Mr. Bao Jikun respectively held 10.5% equity interests in Tong Ling Guan Hua and Mr. Bao Enwei is the brother of Mr. Bao Dongbin and Bao Jikun, therefore each vendor is a connected person of the Company and the proposed acquisition constitutes a connected transaction of the Company. Tong Ling Guan Hua is the holder of mining rights of Tong Ling Guan Hua Mining Company Limited Qizichong Gold Mine (a gold and polymetallic mining site situated in Anhui Province, the PRC) and an exploration licence of Anhui Tong Ling Liangshishan Iron (Gold) Mine (an iron mining site situated in Anhui Province, the PRC). The Company is currently preparing the information such as Competent Person's Report and Valuation Report (as defined in Chapter 18 of the Listing Rules) to be included in the circular to shareholders in connection with (and before) the convening of a shareholders' meeting to approve the proposed acquisition. The proposed acquisition is expected to be completed on or before 30th June, 2012.

Open Offer and event(s) after the end of the annual reporting period ended 31st December, 2011

The open offer of 228,922,969 offer shares at the subscription price of HK\$0.5 per offer share (on the basis of one offer share for every three then existing shares of the Company held on the record date on 21st February, 2012) became unconditional on 9th March, 2012 and the Company raised a gross proceeds of approximately HK\$114 million as a result of such open offer. The Company intends to use the 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 where the final installment will be due on 28th June, 2012;

- (ii) approximately HK\$10 million for the repayment of promissory note due 31st July, 2012 arising from the acquisition of Absolute Apex Limited as disclosed in the announcement of the Company dated 16th April, 2010; 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.

Prospect

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improve and enhance explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximize explosive effects. Such measures aim at raising production capacity of the Group's existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further focus on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates. Through the completion of the project of upgrading technology and enhancing production capacity of the processing plant operated by Tengchong Ruitu, the commencement of production of mine No. 10 as planned, Baoshan Feilong having made a smooth progress in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter Group Co Ltd., Yunnan Yuntong Zinc Alloy Company Limited, Panzihua Steel Group International Economic Trading Company Limited and Wugang Group Kunming Iron and Steel Company Limited, the Group has built a concrete foundation to have steady cash flow and reasonable level of profit. In addition, Daqian Mining has expanded its exploration activities as planned by accelerating the preparation of construction of a new processing plant with a daily processing volume of 600 tons in order to increase the exploration of mineral assets. Yaoan Feilong is taking further steps to improve production optimization and technology so as to improve the grade and recovery of ore concentrates. Tong Ling Guan Hua also contributed both revenue and profit to the Group. Meanwhile, the optimization and technology improvement of its operation flow is in progress. Looking forward, in 2012, the environment for the mining business is expected to be improved as compared to 2011. As market prices of non-ferrous metal have picked up, the Board plans to implement a number of strategies, including acceleration of the preparation steps for construction of the newly built processing plant of Daqian Mining and consolidation of the peripheral mineral resources of the existing mining companies. The Company also introduces measures in order to reduce its gearing ratio.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8th June, 2012 to 14th June, 2012, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 14th June, 2012, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong,

Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7th June, 2012.

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

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2011, the Group's current assets were RMB381,580,000 (2010: RMB388,018,000), of which RMB127,614,000 (2010: RMB253,741,000) were bank balances and cash. As at 31st December, 2011, the net asset value of the Group amounted to RMB1,233,904,000, representing an increase of approximately 2.8% as compared to RMB1,199,751,000 in 2010. The gearing ratio (total liabilities/total assets) of the Group was approximately 34.8% (2010: 45.4%).

As at 31st December, 2011, the issued share capital of the Company was RMB64,874,000 (2010: RMB64,773,000). The Company's reserve and minority interests were RMB973,692,000 (2010: RMB863,233,000) and RMB195,338,000 (2010: RMB271,745,000), respectively. As at 31st December, 2011, the Group had total current liabilities of RMB298,507,000 (2010: RMB376,786,000), mainly comprising bank borrowings, promissory notes, taxation payable, amount due to a related company and trade and other payables. The total non-current liabilities of the Group amounted to RMB360,484,000 (2010: RMB619,437,000), mainly comprising bank borrowings, consideration payable for acquisition of subsidiaries and promissory notes having maturity over one year, as well as deferred tax liabilities. The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Year, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2011, except for the guarantees and charges in the amount of HK\$360,000,000 provided to Industrial and Commercial Bank of China (Asia) Limited by the Group, the Company did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2011, the Group had a total of approximately 1,742 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

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

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

THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Year, except that the Chairman of the Board was not able to attend the annual general meeting of the Company held on 9th June, 2011 (the "2010 AGM") (deviated from code provision E.1.2) due to other business commitment. However, one of the independent non-executive Directors of the Company attended and acted as the Chairman of the 2010 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). All the Directors of the Company, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 30th March, 2012, the audit committee reviewed the accounting principles and practices adopted by the Group, the annual results of the Group for the Year and the continuing connected transactions carried out by the Group during the Year, and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

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

PUBLICATION OF THE 2011 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Hong Kong, 30th March, 2012

As at the date of this announcement, 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.