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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)

Interim Results Announcement For the Six Months Ended 30th June, 2012

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Yue Da Mining Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2012 (the “Period”) together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended	
		30.6.2012	30.6.2011
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	209,813	231,475
Cost of sales		(115,268)	(142,235)
Direct operating costs		(16,787)	(19,434)
Gross profit		77,758	69,806
Other income		3,121	3,131
Other gains and losses	4	(522)	43,259
Administrative expenses		(31,652)	(38,198)
Finance costs	5	(7,155)	(13,608)
Profit before tax		41,550	64,390
Income tax expense	6	(20,863)	(7,508)
Profit and total comprehensive income for the period	7	20,687	56,882
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		13,802	58,851
— Non-controlling interests		6,885	(1,969)
		20,687	56,882
Earnings per share			
— Basic	9	RMB 1.65 cents	RMB8.28 cents
— Diluted	9	RMB 1.65 cents	RMB8.24 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	<i>NOTES</i>	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Non-current Assets			
Property, plant and equipment		165,864	168,886
Prepaid lease payments		3,783	3,853
Mining rights		1,193,709	1,218,948
Available-for-sale investments		70,457	70,457
Goodwill		482	482
Other intangible assets		31,826	42,530
Other receivables	10	114,453	—
Amounts due from related companies		16,439	—
Long term deposits		6,484	6,159
Deposit paid for land use right		7,500	—
		1,610,997	1,511,315
Current Assets			
Prepaid lease payments		238	238
Inventories		28,071	38,557
Trade and other receivables	10	95,492	185,113
Amounts due from related companies	11	13,798	30,058
Bank balances and cash		216,562	127,614
		354,161	381,580
Current Liabilities			
Trade and other payables	12	60,053	70,836
Amount due to a related company		49,095	845
Amounts due to directors		365	365
Taxation payable		17,895	10,070
Promissory notes — due within one year		—	7,722
Bank borrowings — due within one year		128,912	206,232
Obligation under finance leases		2,013	2,437
		258,333	298,507
Net Current Assets		95,828	83,073
Total Assets Less Current Liabilities		1,706,825	1,594,388

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Capital and Reserves		
Share capital	83,474	64,874
Reserves	1,063,027	973,692
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Equity attributable to owners of the Company	1,146,501	1,038,566
Non-controlling interests	202,223	195,338
	<hr/>	<hr/>
Total equity	1,348,724	1,233,904
	<hr/>	<hr/>
Non-current Liabilities		
Other payables	20,612	20,756
Obligation under finance leases	—	766
Provisions	272	261
Deferred tax liabilities	308,360	308,280
Deferred income	28,857	30,421
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	358,101	360,484
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	1,706,825	1,594,388
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 30th June, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatory effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s reportable and operating 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”)

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

Six months ended 30th June, 2012

	Mining & Mineral Trading Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	<u>198,602</u>	<u>11,211</u>	<u>209,813</u>
SEGMENT RESULTS			
Segment profit (loss)	<u>64,197</u>	<u>(8,279)</u>	55,918
Other income			3,121
Other gains and losses			
— Net foreign exchange loss			(492)
— Loss arising on early repayment of promissory notes			(50)
Central administration costs			(9,792)
Finance costs			(7,155)
Profit before tax			<u>41,550</u>

Six months ended 30th June, 2011

	Mining & Mineral Trading Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	<u>215,262</u>	<u>16,213</u>	<u>231,475</u>
SEGMENT RESULTS			
Segment profit (loss)	<u>56,619</u>	<u>(6,473)</u>	50,146
Other income			3,131
Other gains and losses			
— Fair value change in contingent consideration			44,186
— 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			<u>64,390</u>

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 and finance costs. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2012	30.6.2011
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value change in contingent consideration (<i>Note</i>)	—	44,186
Net foreign exchange (loss) gains	(492)	2,661
Gain on change in fair value of financial asset designated as at FVTPL	—	641
Loss arising on early repayment of consideration payable for acquisition of subsidiaries	—	(3,750)
Loss arising on early repayment of promissory notes	(50)	(446)
Loss on disposal of property, plant and equipment	20	(33)
	(522)	43,259

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 30th 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 30th June, 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. In the absence of any further unanticipated temporary suspension, 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 estimated to be insignificant as at the end of the reporting period.

5. FINANCE COSTS

	Six months ended	
	30.6.2012	30.6.2011
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	5,114	6,132
Effective interest on promissory notes	336	3,641
Effective interest on finance leases	131	—
Imputed interest on:		
— interest-free amount due to a related company	—	1,133
— consideration payable for acquisition of subsidiaries	—	1,411
— other payables	1,563	1,197
— provisions	11	94
	7,155	13,608

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
People's Republic of China ("PRC") Enterprise Income Tax		
— current period	18,996	8,300
Under provisions in prior year	1,787	—
Deferred tax		
— current period (<i>Note</i>)	80	(792)
	<u>20,863</u>	<u>7,508</u>

Note: Included in the deferred tax, an amount of approximately RMB3,031,000 (for the six months ended 30th June, 2011: RMB3,852,000) 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 30th June, 2012 (for the six months ended 30th June, 2011: 15%).

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
Profit and total comprehensive income for the period has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights included in cost of sales	25,239	17,347
Amortisation of other intangible assets included in direct operating costs	10,704	12,777
Depreciation of property, plant and equipment	13,722	12,021
Release of prepaid lease payments	70	65
Total depreciation and amortisation	<u>49,735</u>	<u>42,210</u>
Cost of inventories sold	90,029	124,888
Interest income	(1,085)	(1,934)
Imputed interest income on deferred income	(1,563)	(1,197)
Share-based payments expense	<u>2,197</u>	<u>227</u>

8. DIVIDEND

Subsequent to the end of the current interim period, the directors have determined that an interim dividend of HK1 cent per share (for the six months ended 30th June, 2011: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 22nd November, 2012.

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:

	Six months ended	
	30.6.2012 <i>RMB'000</i>	30.6.2011 <i>RMB'000</i>
Earnings		
Profit for the period attributable to owners of the Company and profit for the purposes of basis and diluted earnings per share	13,802	58,851
Number of shares	<i>Number</i>	<i>Number</i> (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	838,902,403	710,810,093
Effect of dilutive potential ordinary shares — share options	—	3,694,939
Weighted average number of ordinary shares for the purpose of diluted earnings per share	838,902,403	714,505,032

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for both periods has been adjusted for the effect of bonus element in connection with the open offer in March 2012.

10. TRADE AND OTHER RECEIVABLES

	30.6.2012 <i>RMB'000</i>	31.12.2011 <i>RMB'000</i>
<u>Current</u>		
Trade receivables	57,242	9,372
Bills receivable	—	17,000
	57,242	26,372
Deferred consideration receivable	—	66,550
Amount due from Disposal Group (as defined in P.14)	—	61,962
Amount due from a third party	14,415	15,906
Advance payments to suppliers	5,588	4,265
Deposits and prepayments	18,247	10,058
	95,492	185,113
<u>Non-current</u>		
Deferred consideration receivable	53,406	—
Amount due from Disposal Group	61,047	—
	114,453	—

10. TRADE AND OTHER RECEIVABLES — continued

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:

	30.6.2012 <i>RMB'000</i>	31.12.2011 <i>RMB'000</i>
Trade receivables		
0–60 days	55,271	7,401
Over 180 days	1,971	1,971
	<u>57,242</u>	<u>9,372</u>
Bills receivable		
Over 90 days	—	17,000
	<u>—</u>	<u>17,000</u>

11. AMOUNTS DUE FROM RELATED COMPANIES

The Group allows its related companies an average credit period of 60 days for trade balances. 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:

	30.6.2012 <i>RMB'000</i>	31.12.2011 <i>RMB'000</i>
0–60 days	3,982	14,620
Over 180 days	9,816	—
	<u>13,798</u>	<u>14,620</u>

12. TRADE AND OTHER PAYABLES

Included in the trade and other payables are trade payables of RMB6,410,000 (31st December, 2011: RMB5,151,000). The average credit period on purchases of goods is 60 days. The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	30.6.2012 <i>RMB'000</i>	31.12.2011 <i>RMB'000</i>
0–60 days	4,050	3,567
61–120 days	1,904	1,321
Over 120 days	456	263
	<u>6,410</u>	<u>5,151</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

Turnover and gross operating profit of the Group for the six months ended 30th June, 2012 (the “Period”) amounted to RMB209,813,000 and RMB77,758,000, representing a decrease of approximately 9.36% and an increase of 11.39% respectively, over the same period in 2011. The nonferrous metal market is challenging during the Period due to the uncertainty of the global economy and the European debt crisis. The profit and total comprehensive income attributable to the owners of the Company for the Period was RMB13,802,000 (corresponding period of last year: RMB58,851,000) and basic earnings per share was RMB1.65 cents (corresponding period of last year: RMB8.28 cents).

Interim Dividend

The Board is pleased to recommend the payment of an interim dividend of HK1 cent (2011: Nil) per ordinary share in issue for the six months ended 30 June 2012 to be payable on or around Thursday, 29th November, 2012 to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 22nd November, 2012.

Business Review

The Group is principally engaged in exploration, mining and processing of metal minerals (the “Mining Operations”) and trading of iron ore and related products (“the Mineral Trading Operations”, altogether “Mining and Mineral Trading Operations”) and the operation of a toll road (the “Toll Road Operations”).

Mining and Mineral Trading Operations

During the Period, the Mining and Mineral Trading Operations realized an operating revenue of RMB198,602,000 (corresponding period of last year: RMB215,262,000) with a segment profit of RMB64,197,000 (corresponding period of last year: RMB56,619,000). The Mining Operations (excluding Mineral Trading Operations) recorded an operating revenue of RMB198,602,000 (corresponding period of last year: RMB171,569,000) with a gross profit of RMB83,335,000 (corresponding period of last year: RMB71,397,000) and gross profit margin of approximately 41.96% (corresponding period of last year: 41.61%). The Group temporarily suspended the Mineral Trading Operations due to the fluctuation and variance of iron ore price. The Mineral Trading Operations did not have any operating revenue (corresponding period of last year: RMB43,693,000) and gross profit (corresponding period of last year: RMB1,630,000) during the Period.

The ores extracted during the Period amounted to 694,395 tons, representing an increase of 29.87% over 534,694 tons in the corresponding period of last year, with a unit mining cost (including gold ores) of approximately RMB53 per ton (corresponding period of last year: RMB81 per ton) and a unit processing cost (including gold ores) of approximately RMB43 per ton (corresponding period of last year: RMB46 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 2,793 metal tons (corresponding period of last year: 2,425 metal tons), lead ore concentrates of 1,137 metal tons (corresponding period of last year: 972 metal tons), silver of 710 kilograms (corresponding period of last year: 1,197 kilograms), iron ore concentrates of 89,665 tons (corresponding period of last year: 125,933 tons) and gold of 228.25 kilograms (corresponding period of last year: 97.09 kilograms). During the Period, the metal ore concentrates were sold at an average price of RMB8,319 per metal ton for zinc ore concentrates (corresponding period of last year: RMB9,518 per metal ton), RMB14,051 per metal ton for lead ore concentrates

(with silver content) (corresponding period of last year: RMB16,878 per metal ton), RMB634 per ton for iron ore concentrates (corresponding period of last year: RMB678 per ton) and RMB325 per gram of gold (corresponding period of last year: RMB299).

During the Period, 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. During the Period, by reasons including certain road construction projects undertaken by the local government authority which have caused inconvenience to the transport to and from the relevant mining site, the production volume from Tengchong Ruitu has decreased compared with corresponding period of last year.

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.

With the improvement of mining methods of mine No. 8, Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”) achieved a better result in mining activities 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 Shaanxi 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 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. Since January 2012, Tong Ling Guan Hua has been under full production capacity. Tong Ling Guan Hua has contributed significant revenue and profit to the Group during the Period.

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 (“Zhuzhou Smelter”), Yunnan Yuntong Zinc Alloy Company Limited (“Yunnan Yuntong”), Panzhihua Steel Group International Economic Trading Company Limited (“Panzhihua Steel”) and Wugang Group Kunming Iron and Steel Company Limited, a subsidiary of Wuhan Iron and Steel (Group) Corp. (“Wugang”), 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 Period.

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 10,285 during the Period (corresponding period of last year: 13,237) while the operating revenue achieved RMB11,211,000, which represented an decrease of approximately 30.85% from RMB16,213,000 of the corresponding period in last year. The Toll Road Operations also recorded a segment loss of RMB8,279,000 (corresponding period of last year: RMB6,473,000). 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 Period. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Period. However, no large-scale maintenance works have been carried out.

PROSPECTS

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improving and enhancing explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximize explosive effects. Such measures aim at raising production capacity of the Group’s existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further focus on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates. Through 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, the smooth progress made by Baoshan Feilong in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter, Yunnan Yuntong, Panzhihua Steel and Wugang, 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 has also contributed significant revenue and profit to the Group. Meanwhile, the optimization and technology improvement of its operation flow is in progress. Looking forward to the second half of 2012, the environment for the mining business is expected to be improved as compared to the first half of 2012. As market prices of non-ferrous metal is expected to pick 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.

IMPORTANT EVENTS SINCE THE END OF 2011

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 that 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.

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 was in preliminary negotiation with Yue Da Enterprise Group (HK) Co., Limited (“YD Enterprise”), an associate of Jiangsu Yue Da Group Company Limited 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.

Open Offer

An open offer (“Open Offer”) was implemented by the Company in early 2012. Under such Open Offer, 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 (net proceeds after deducting for expenses being approximately HK\$108 million) as a result of such Open Offer. The Company has applied the proceeds for the following purposes:

- (i) HK\$50 million for the repayment of a bank loan due to Industrial and Commercial Bank of China (Asia) Limited;
- (ii) 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.

Second Supplemental Agreement to the Disposal Agreement dated 16 August 2011 in relation to the disposal of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited and its subsidiaries located in Wengnitute Banner of Inner Mongolia (collectively “Disposal Group”) and the Supplemental Shareholders Agreement of the Disposal Group

As disclosed in the announcement of the Company on 29 June 2012, Yue Da Mining Limited, a wholly owned subsidiary of the Company, and Feng Hua Group Limited (“Feng Hua”) entered into:

- (a) the second supplemental sale and purchase agreement, pursuant to which the parties conditionally agreed to extend the last date of payment in full of the outstanding balance of the consideration for disposal of the Disposal Group being an amount of RMB53,406,000 as at 29 June 2012 by Feng Hua as purchaser to Yue Da Mining Limited as vendor from 30 June 2012 to 30 June 2014; and
- (b) the supplemental shareholders agreement, pursuant to which the parties conditionally agreed to extend the last date of payment in full of the sum of RMB38,034,821.88 owing by the Disposal Group to Yue Da Mining Limited from 30 June 2012 to 30 June 2014.

In such connection, Feng Hua has charged all the issued shares held by Feng Hua in each of the Disposal Group companies in favour of Yue Da Mining Limited to secure (among others) the performance of payment obligations of Feng Hua and the Disposal Group as mentioned above.

As at the date of this announcement, none of the above outstanding sum has been repaid by Feng Hua and the Disposal Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2012, the Group's current assets were RMB354,161,000 (31st December, 2011: RMB381,580,000), of which RMB216,562,000 (31st December, 2011: RMB127,614,000) were bank balances and cash on hand. As at 30th June, 2012, the net asset value of the Group amounted to RMB1,348,724,000, representing an increase of approximately 9.31% as compared to RMB1,233,904,000 at 31st December, 2011. The gearing ratio (total liabilities/total assets) of the Group was approximately 31.37% (31st December, 2011: 34.81%). As at 30th June, 2012, the share capital of the Company was RMB83,474,000 (31st December, 2011: RMB64,874,000). The Company's reserve and minority interests were RMB1,063,027,000 (31st December, 2011: RMB973,692,000) and RMB202,223,000 (31st December, 2011: RMB195,338,000) respectively. As at 30th June, 2012, the Group had total current liabilities of RMB258,333,000 (31st December, 2011: RMB298,507,000), mainly comprising bank borrowing, trade and other payables and amount due to a related company. The total non-current liabilities of the Group amounted to RMB358,101,000 (31st December, 2011: RMB360,484,000), which were mainly other payables and deferred tax liabilities.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal. The Group recorded a net exchange loss amounting to RMB492,000 during the Period.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2012, the Group did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2012, the Group had a total of approximately 1,335 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 Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15th November, 2012 to Thursday, 22nd November 2012 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 14th November, 2012.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 14th June, 2012 (the “2011 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 2011 AGM; and (ii) Mr. Chen Yunhua and Mr. Qi Guang Ya both being non-executive Directors and Mr. Han Run Sheng being an independent non-executive Director were not able to attend the 2011 AGM (deviated from code provision A.6.7) due to their other business commitments. Nevertheless, each of these Directors has passed his opinion to the chairman of the 2011 AGM before its commencement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company’s audit committee currently comprises 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 27th August, 2012, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period, and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company has set up with written terms of reference a nomination committee, whose members are currently Mr. Cui Shu Ming (Chairman of the nomination committee, an independent non-executive Director), Ms. Leung Mei Han (an independent non-executive Director), Mr. Liu Yongping (an independent non-executive Director) and Mr. Dong Li Yong (an executive Director). Duties of the nomination committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience.

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

The Company's interim report for the six months ended 30th June, 2012 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.yueda.com.hk in due course.

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

Executive Directors

Dong Li Yong
Liu Xiao Guang
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

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

Hong Kong, 27th August, 2012