THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer 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 the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any 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) CONNECTED TRANSACTION RELATING TO SUBSCRIPTION OF NEW SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AMASSE CAPITAL
寶積資本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 44 of this circular.

A notice convening the EGM of the Company to be held at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on Friday, 23 December 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

7 December 2016

CONTENTS

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement dated 11 November 2016 made by the Company in relation to, among others, the Subscription and application for the Whitewash Waiver
"associate"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which licensed banks in Hong Kong are generally open for business (other than a Saturday, Sunday or Hong Kong public holiday, or a day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon, or on which a black rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon)
"Company"	Yue Da Mining Holdings Limited 悅達礦業控股有限公司, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on Friday, 23 December 2016 at 10:00a.m. for the purpose of considering, and if thought fit, approving the grant of the Specific Mandate, the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent Board committee, comprising all the independent non-executive Directors (excluding all the non-executive Directors due to their interest in the transactions contemplated under the Subscription Agreement and the Whitewash Waiver), which has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Independent Financial Adviser"	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
"Independent Third Party(ies)"	independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company
"Independent Shareholders"	Shareholders other than (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber; and (iii) each of Mr. Hu Huaimin, Mr. Qi Guangya and Mr. Bai Zhaoxiang; (iv) parties involved in or interested in the Subscription Agreement, the Specific Mandate or the Whitewash Waiver
"Jiangsu Yue Da"	Jiangsu Yue Da Group Company Limited, a state-owned enterprise established with limited liability in the PRC and interested in 100% interests in Yue Da HK as at the Latest Practicable Date

"Last Trading Day"	10 November 2016, being the last trading day of the Shares on the Stock Exchange prior to the date of the Announcement
"Latest Practicable Date"	5 December 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Outstanding Options"	the outstanding, vested and unvested, options granted by the Company to subscribe for an aggregate of 39,466,059 Shares under the share option schemes of the Company adopted by the Company on 29 November 2001 and 9 June 2011
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Relevant Period"	the period commencing on the date falling six months preceding 11 November 2016, being the date of the Announcement, up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"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)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscriber" or "Yue Da HK"	Yue Da Group (H.K.) Co., Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Jiangsu Yue Da which is established and controlled by Yancheng Municipal People's Government. Yue Da HK is a Shareholder which holds approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date
"Subscription"	the conditional allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the formal legally-binding agreement dated 11 November 2016 entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Price"	HK$0.38 per Subscription Share
"Subscription Share(s)"	250,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
"Whitewash Waiver"	the waiver by the Executive under Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the Shareholders for all issued shares of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it as a result of the allotment and issue of the Subscription Shares to the Subscriber
"%"	per cent.

For the purpose of this circular, unless specified otherwise, conversion of RMB into HK$ is based on the exchange rate of RMB1.00 to HK$1.13. The exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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)

Non-executive Directors:
Mr. Wang Lianchun
Mr. Qi Guangya

Executive Directors:
Mr. Mao Naihe
Mr. Hu Huaimin
Mr. Bai Zhaoxiang

Independent non-executive Directors:
Mr. Cui Shu Ming
Dr. Liu Yongping
Mr. Cheung Ting Kee

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. 3321-3325
33/F, China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Hong Kong

7 December 2016

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO SUBSCRIPTION OF NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement. On 11 November 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 new Shares at the Subscription Price of HK$0.38 per Subscription Share to the Subscriber. The Subscription is subject to various conditions set out below under the paragraph headed''Conditions precedent''.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Wavier; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iv) a notice of EGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

SUBSCRIPTION OF NEW SHARES

The Subscription Agreement

Date

11 November 2016 (after trading hours)

Parties

(a) Issuer: the Company

(b) Subscriber: Yue Da Group (H.K.) Co., Limited

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 new Shares at the Subscription Price of HK$0.38 per Subscription Share to the Subscriber, with an aggregate consideration of HK$95 million.

Subscription Shares

The Subscription Shares represent approximately 27.21% of the issued share capital of the Company as at the Latest Practicable Date. Upon Completion, the Subscription Shares represent approximately 21.39% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares). The Subscriber will then hold 657,241,333 Shares, representing approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares).

Subscription Price

The Subscription Price of HK$0.38 per Subscription Share, which represents:

(i) a premium of approximately 31.03% over the closing price per Share of HK$0.29 as quoted on the Stock Exchange on the Last Trading Date;

(ii) a premium of approximately 35.23% over the average closing price per Share of HK$0.281 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Announcement;

(iii) a premium of approximately 34.28% over the average closing price per Share of HK$0.283 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Announcement;

(iv) a discount of approximately 9.74% to the Group's unaudited consolidated net assets per Share as at 30 June 2016 of approximately HK$0.421 (based on a total of 918,626,516 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets attributable to the owners of the Company of approximately RMB342,491,000 (equivalent to approximately HK$387,014,830) as at 30 June 2016); and

(v) a premium of approximately 4.11% over the closing price per Share of HK$0.365 as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to market prices of the Shares in recent times. The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

(a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares;

(b) the Executive granting the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code to the Subscriber;

(c) the Independent Shareholders approving the Subscription and the related transactions contemplated thereunder and the Specific Mandate (including the Whitewash Waiver to be approved by way of poll); and

(d) all the warranties by the Company and the Subscriber under the Subscription Agreement remain true, accurate and not misleading in all material respects at all times from the date of the Subscription Agreement up to the date of Completion.

All conditions set out above cannot be waived by the Company or the Subscriber and Completion shall only take place when all conditions set out above and attached to the Whitewash Waiver are satisfied. In the event that any of the conditions of the Subscription is not fulfilled on or before 28 February 2017 (or such later date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement will terminate and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other in respect of any matter arising out of or in connection with the Subscription Agreement, except for any antecedent breach of any obligation and any liabilities under the Subscription Agreement.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Completion

Completion will take place on the tenth Business Day (in any event, within one month after the passing of the relevant resolutions at the EGM) after the date on which all the conditions of the Subscription are fulfilled (or such other date as may be agreed between the Company and the Subscriber in writing).

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to allot, issue and deal with Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

Application for listing

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Rankings

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

INFORMATION ON THE SUBSCRIBER AND ITS GROUP

The Subscriber is a company incorporated in Hong Kong with limited liability and is a Shareholder which holds approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is wholly-owned by Jiangsu Yue Da which is principally engaged in manufacturing, retailing, property development, coal and non-ferrous metal mining and is established and controlled by Yancheng Municipal People's Government.

The Subscriber intends to maintain the existing business of the Group and the listing status of the Company on the Stock Exchange following Completion. The Subscriber has no intention to introduce any major changes to the existing business, including any redeployment of the employees or the fixed assets of the Group upon Completion, nor to make any major changes to the continued employment of the employees of the Group, other than in its ordinary and usual course of business.

However, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business developments of the Group, and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, the Subscriber has not entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion or restructuring of the Group's businesses.

The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion or restructuring of the Group's business operations materialises after Completion.

OTHER FUND RAISING ALTERNATIVES

The Board has considered other alternative means of fund raising before resolving to the Subscription, including but not limited to rights issue or open offer and debt financing.

As the Group had recorded the consistent loss-making performance and the deteriorating net current asset position, it could be difficult for it to procure further debt financing with favourable terms and it would have to incur interest expenses which would impose additional financial burden to the Group. In addition, the Company encountered difficulties in procuring an independent underwriter in Hong Kong in underwriting a rights issue or an open offer of the Company.

As such, the Directors are of the views that the equity financing by way of the Subscription is the most appropriate means of fund raising method, and is in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment holding company. The principal activities of its subsidiaries are exploration, mining and processing of zinc, lead, iron, gold and stone for construction.

The gross proceeds from the Subscription are expected to be HK$95 million in aggregate. After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to approximately HK$93.7 million. The net Subscription Price is approximately HK$0.3748 per Subscription Share. The aggregate nominal value of share capital for the Subscription Shares is HK$25 million.

As at 30 September 2016, the unaudited cash balance of the Group is amounted to approximately RMB16.3 million (equivalent to approximately HK$18.4 million). It is expected that the net proceeds from the Subscription will be applied to the general working capital of the Group and expect to apply (i) approximately HK$59.7 million for the administrative expenses, including but not limited to rental, salary expenses, legal and professional fee and government levies; (ii) approximately HK$12.0 million for finance cost; and (iii) approximately HK$22.0 million for additions of property, plant and equipment, and mining rights. As disclosed in the annual report of the Company for the year ended 31 December 2015, it recorded that the administrative expenses and finance costs amounted to approximately RMB78.7 million (equivalent to approximately HK$88.9 million) and RMB78.5 million (equivalent to approximately HK$88.7 million) for the years ended 31 December 2014 and 2015, respectively, with an annual average of approximately RMB78.6 million (equivalent to approximately HK$88.8 million).

The Directors consider that the Subscription represents an opportunity to raise capital for the Company in order to maintain a sufficient cash position of the Group and to enhance the capital base of the Company. The Board consider the terms of the Subscription Agreement to be normal commercial terms and is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

Save for the Subscription, the Company had no further fund raising plan as at the Latest Practicable Date.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

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

CHANGES IN THE SHAREHOLDING OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares) and (iii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares and full exercise of the Outstanding Options).

	As at the Latest Practicable Date		**Immediately upon Completion (assuming no Outstanding Options are exercised)**		**Immediately upon Completion (assuming all Outstanding Options are exercised)**	
	No. of Shares	*Approximately %*	*No. of Shares*	*Approximately %*	*No. of Shares*	*Approximately %*
The Subscriber	407,241,333	44.33	657,241,333	56.24	657,241,333	54.40
Mr. Qi Guangya ("**Mr. Qi**") *(Note 1)*	–	–	–	–	2,018,116	0.17
Sub-total of the Subscriber and its parties acting in concert	407,241,333	44.33	657,241,333	56.24	659,259,449	54.57
Mr. Hu Huaimin ("**Mr. Hu**") *(Note 2)*	1,130,666	0.12	1,130,666	0.10	3,901,536	0.32
Mr. Bai Zhaoxiang ("**Mr. Bai**") *(Note 3)*	–	–	–	–	2,213,281	0.18
Holders of Outstanding Options (Other than Mr. Qi, Mr. Hu and Mr. Bai)	–	–	–	–	32,463,792	2.69
Other public Shareholders	510,254,517	55.55	510,254,517	43.66	510,254,517	42.24
TOTAL	**918,626,516**	**100.00**	**1,168,626,516**	**100.00**	**1,208,092,575**	**100.00**

Notes:

1. Mr. Qi is a non-executive Director and is also a director of Jiangsu Yue Da.

2. Mr. Hu is an executive Director.

3. Mr. Bai is an executive Director.

IMPLICATIONS OF THE TAKEOVERS CODE AND THE LISTING RULES

As at the Latest Practicable Date, the Subscriber is a Shareholder which holds 407,241,333 Shares, representing approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date. Since the Subscriber is a controlling shareholder of the Company and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement at the EGM.

Upon Completion, the shareholding of the Subscriber will increase from approximately 44.33% to approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares), hereby triggering a general offer obligation under the Takeovers Code.

APPLICATION FOR WHITEWASH WAIVER

An application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders taken on a poll at the EGM. As the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement and such condition is not waivable, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders.

As at the Latest Practicable Date, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of the Announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular to be issued in relation to the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

EGM

A notice convening the EGM of the Company to be held at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on Friday, 23 December 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

At the EGM, ordinary resolutions will be proposed to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate, and the Whitewash Waiver.

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 as soon as possible and in any event not later than 48 hours before the time for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its associates; (ii) any parties acting in concert with the Subscriber; (iii) each of Mr. Hu Huaimin, Mr. Qi Guangya and Mr. Bai Zhaoxiang, details of their shareholding in the Company are set out in the paragraph headed "Changes in the Shareholding of the Company"; and (iv) the Shareholders involved or interested in the Subscription Agreement, the Specific Mandate or the Whitewash Waiver will be required to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM. Accordingly, (i) the Subscriber and parties acting in concert with it (holding in aggregate of 407,241,333 Shares, representing approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date); and (ii) Mr. Hu Huaimin (holding in 1,130,666 Shares, representing 0.12% of the issued share capital of the Company as at the Latest Practicable Date), will abstain from voting on the relevant resolution(s) at the EGM. Save as disclosed, no other Shareholder has a material interest in the transactions contemplated under the Subscription Agreement, the Specific Mandate or the Whitewash Waiver and will be required to abstain from voting on the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, (i) Mr. Wang Lian Chun, a non-executive Director, is a director of the Subscriber and is also the chairman and director of Jiangsu Yue Da, an associate and a party acting in concert with the Subscriber; (ii) Mr. Qi Guangya, a non-executive Director, is a director of Jiangsu Yue Da; (iii) Mr. Mao Naihe, an executive Director, is the vice chairman of the Subscriber. Accordingly, each of Mr. Wang Lian Chun, Mr. Qi Guangya and Mr. Mao Naihe is considered to have a material interest in the transactions contemplated under the Subscription Agreement and the Whitewash Waiver and have abstained from voting on the board resolutions approving the transactions contemplated under the Subscription Agreement and the Whitewash Waiver. Mr. Hu Huaimin, Mr. Bai Zhaoxiang, Mr. Cui Shu Ming, Dr. Liu Yongping and Mr. Cheung Ting Kee have voted for the board resolutions approving the transactions contemplated under the Subscription Agreement and the Whitewash Waiver.

RECOMMENDATION

The Directors (including Independent Board Committee after considering the advice of the Independent Financial Adviser) consider that (i) the Subscription Agreement and the transaction contemplated thereunder and the Specific Mandate are fair and reasonable and on normal commercial terms; (ii) the Whitewash Waiver is fair and reasonable. We, therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transaction contemplated thereunder, the grant of the Specific Mandate, and the Whitewash Waiver.

Your attention is drawn to:

(a) this letter from the Board;

(b) a letter of recommendation from the Independent Board Committee is set out on pages 15 to 16 of this circular; and

(c) a letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 44 of this circular.

ADDITIONAL INFORMATION

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

By Order of the Board
Yue Da Mining Holdings Limited
Hu Huaimin
Executive Director and Chief Executive

The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver for inclusion in this circular.

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)

7 December 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO SUBSCRIPTION OF NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 7 December 2016 (the **"Circular"**), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 5 to 14 and pages 17 to 44 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Subscription Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and the Subscription 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. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee
Mr. Cui Shu Ming **Dr. Liu Yongping** **Mr. Cheung Ting Kee**
Independent non-executive Directors

The following is the full text of a letter of advice from Somerley Capital Limited to the Independent Board Committee in relation to the Subscription and the Whitewash Waiver, which has been prepared for the purpose of inclusion in the Circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

7 December 2016

To: The independent board committee of
Yue Da Mining Holdings Limited

Dear Sirs,

CONNECTED TRANSACTION RELATING TO SUBSCRIPTION OF NEW SHARES AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Subscription and the Whitewash Waiver. Details of the Subscription and the Whitewash Waiver are set out in the circular to the Shareholders dated 7 December 2016 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 11 November 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 new Shares at the Subscription Price of HK$0.38 per Subscription Share to the Subscriber.

The Subscription Shares represent approximately 27.21% of the existing issued share capital of the Company as at the Latest Practicable Date. Upon Completion, the Subscription Shares represent approximately 21.39% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares). The Subscriber will then hold 657,241,333 Shares, representing approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares).

As at the Latest practicable Date, the Subscriber is a Shareholder which holds 407,241,333 Shares, representing approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date. Since the Subscriber is a controlling shareholder of the Company and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval of the Subscription Agreement at the EGM.

Upon Completion, the shareholding of the Subscriber will increase from approximately 44.33% to approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares), hereby triggering a general offer obligation under the Takeovers Code.

An application has be made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders taken on a poll at the EGM. As the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement and such condition is not waivable, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cui Shu Ming, Dr. Liu Yongping and Mr. Cheung Ting Kee, has been formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. As at the Latest Practicable Date, (i) Mr. Wang Lian Chun, a non-executive Director, is a director of the Subscriber and is also the chairman and director of Jiangsu Yue Da, an associate and a party acting in concert with the Subscriber; (ii) Mr. Qi Guangya, a non-executive Director, is a director of Jiangsu Yue Da; (iii) Mr. Mao Naihe, an executive Director, is the vice chairman of the Subscriber. Accordingly, the aforesaid three non-executive Directors are considered to have a material interest in the transactions contemplated under the Subscription Agreement and the Whitewash Waiver, and therefore, will not be members of the Independent Board Committee. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated or connected with the Company or the Subscriber, their respective core connected persons or associates or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Subscription and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Subscriber, their respective core connected persons or associates or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the "**Management**"), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual report of the Company for the two financial years ended 31 December 2014 (the "**2014 Annual Report**") and 31 December 2015 (the "**2015 Annual Report**"), interim report of the Company for the six months period ended 30 June 2016 (the "**2016 Interim Report**") and other information contained in the Circular. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practicable Date and throughout the offer period (as defined under the Takeovers Code). We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular are true at the time they were made and at the date of the Circular and Shareholders will be notified of any material changes as soon as possible, if any.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Introduction

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. The Company is an investment holding company. The principal activities of its subsidiaries are exploration, mining and processing of zinc, lead, iron, gold and stone for construction.

2. Review of the financial information on the Group

2.1 Financial performance of the Group

Set out below are summary of financial information on the Group as extracted from the consolidated statement of profit or loss and other comprehensive income for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 and the six months periods ended 30 June 2015 and 30 June 2016, details of which are set out in the 2014 Annual Report, the 2015 Annual Report and the 2016 Interim Results:

	For the six months period ended 30 June		**For the year ended 31 December**		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)	**(unaudited)**	**(audited)**	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operation – Mining Operations					
Revenue	41,419	68,132	113,655	134,782	191,133
Cost of sales	(36,753)	(60,478)	(104,026)	(145,033)	(167,652)
Gross profit	4,666	7,654	9,629	(10,251)	23,481
Other income	2,420	6,033	8,296	4,978	12,536
Other gains and losses	(748)	1,322	15,615	949	25,600
Impairment losses on assets	–	(68,087)	(153,784)	(219,822)	(135,983)
Impairment loss on available-for-sale investments	–	–	–	(11,123)	–
Administrative expenses	(24,115)	(29,964)	(60,015)	(62,587)	(76,890)
Finance costs	(6,231)	(10,940)	(18,458)	(16,117)	(14,368)
Loss before tax	(24,008)	(93,982)	(198,717)	(313,973)	(165,624)
Income tax (expense)/credit	(1,152)	8,877	34,327	68,177	25,475
Loss for the period/year from continuing operation	(25,160)	(85,105)	(164,390)	(245,796)	(140,149)

	For the six months period ended 30 June		For the year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)	**(unaudited)**	**(audited)**	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Discontinued operation-Toll Road Operations					
Profit/loss for the period/year from discontinued operation	–	4,133	3,590	9,356	(5,306)
Loss and total comprehensive expense for the period/year	(25,160)	(80,972)	(160,800)	(236,440)	(145,455)
(Loss) profit and total comprehensive (expense) income for the period/year attributable to owners of the Company					
from continuing operation	(24,957)	(86,149)	(164,782)	(235,051)	(138,645)
from discontinued operation	–	2,108	1,377	11,055	(2,706)
	(24,957)	(84,041)	(163,405)	(223,996)	(141,351)
(Loss) profit and total comprehensive (expense) income for the period/year attributable to non-controlling interests					
from continuing operation	(203)	1,044	392	(10,745)	(1,504)
from discontinued operation	–	2,025	2,213	(1,699)	(2,600)
	(203)	3,069	2,605	(12,444)	(4,104)

The revenue from continuing operation of the Group is generated from exploration, mining and processing of zinc, lead, iron, gold and stone for construction (the "**Mining Operations**"). The business of management and operation of toll highway and bridge (the "**Toll Road Operations**") was discontinued during the financial year ended 31 December 2013 and has been accounted for as a discontinued operation since then. As disclosed in the 2016 Interim Report, the Group's principal subsidiary engaged in Toll Road Operations was dissolved during the financial year ended 31 December 2015 ("**FY2015**").

As disclosed in the 2014 Annual Report, for the financial year ended 31 December 2014 ("**FY2014**"), the Group recorded a decrease of approximately 29.5% in total revenue from continuing operation to approximately RMB134.8 million as compared to the total revenue of approximately RMB191.1 million for the year ended 31 December 2013 ("**FY2013**"). The decline in revenue was mainly due to a general decline in the price of gold, iron and lead in the international commodity market during FY2014. The gross loss of the Group for FY2014 of approximately RMB10.3 million, as compared with the gross profit of the Group for FY2013 of approximately RMB23.5 million, was mainly due to the aforesaid decline in commodity prices during FY2014. Other income of the Group decreased to approximately RMB5.0 million for FY2014 from approximately RMB12.5 million for FY2013 which was mainly attributable to lower interest income as a result of lower level of average bank balances. Other gains and losses of the Group decreased prominently from approximately RMB25.6 million in FY2013 to approximately RMB949,000 in FY2014 which was mainly attributable to impairment loss on amount due from three subsidiaries in the PRC (the "**Disposal Group**"), in which 41.1% equity interest of such three subsidiaries was disposed by the Group in the year 2011, in the amount of approximately RMB11.4 million during FY2014. Details of such disposal are set out in the Company's announcement dated 16 August 2011. The Group's impairment losses on assets increased from around RMB136.0 million in FY2013 by around 61.7% to around RMB219.8 million in FY2014, mainly due to (i) a general decline in the price of gold, iron and lead in the international commodity market during FY2014 and the related price outlook; (ii) the tightening of safety and environmental requirements by government of the PRC on mining industry which increased the complexity of production processes and thus increased the direct production costs; and (iii) the general increase in prices of raw materials and production costs during FY2014. In view of, among other things, the gross loss for FY2014 as compared to the gross profit in FY2013, as well as the increase in impairment losses on assets, the loss attributable to owners of the Company from continuing operation (i.e. the Mining Operations) for FY2014 increased from approximately RMB138.6 million in FY2013 by around 69.5% to approximately RMB235 million in FY2014.

As disclosed in the 2015 Annual Report, the Group recorded a decrease of approximately 15.7% in total revenue from continuing operation from approximately RMB134.8 million for FY2014 to approximately RMB113.7 million for FY2015. The revenue decline was mainly due to the then continued decline in the price of gold, iron and lead in the international commodity market during FY2015, partly offset by the increase in volume of minerals products sold. The gross profit of the Group for FY2015 was approximately RMB9.6 million against the gross loss of the Group for FY2014 of approximately RMB10.3 million. Other income of the Group increased to approximately RMB8.3 million for FY2015 from approximately RMB5.0 million for FY2014 which was mainly attributable to higher interest income as a result of higher level of average bank balances. Other gains and losses of the Group increased prominently from approximately RMB949,000 in FY2014 to approximately RMB15.6 million in FY2015, mainly due to the gain on further disposal of 45% equity interest in the Disposal Group during FY2015. Impairment losses on assets decreased from around RMB219.8 million in FY2014 by around 30.0% to around RMB153.8 million in FY2015, mainly due to the decrease in impairment loss on mining rights during FY2015 as compared to FY2014. In view of, among other things, the gross profit for FY2015 as compared to the gross loss in FY2014 as well as the decrease in impairment losses on assets, the loss attributable to owners of the Company from continuing operation (i.e. the Mining Operations) decreased from approximately RMB235.1 million in FY2014 by around 29.9% to approximately RMB164.8 million in FY2015.

As disclosed in the 2016 Interim Report, the Group recorded a decrease of approximately 39.2% in total revenue from continuing operation from approximately RMB68.1 million for the six months period ended 30 June 2015 ("**1H2015**"), to approximately RMB41.4 million for the six months period ended 30 June 2016 ("**1H2016**"). The decline in revenue was mainly due to the then continued decline in the price of various products with a decrease in volume of mineral products processed and sold. The gross profit of the Group for 1H2016 was approximately RMB4.7 million, represented a decrease of around 39.0% from approximately RMB7.7 million in 1H2015. There were no Impairment losses on assets during 1H2016 (1H2015: approximately RMB68.1 million). Finance costs of the Group decreased from approximately RMB10.9 million in 1H2015 by around 43.0% to approximately RMB6.2 million in 1H2016, mainly due to decrease in interest on bank borrowings and loan from a related party. In view of, among other things, the absence of impairment losses on assets during 1H2016, the loss attributable to owners of the Company from continuing operation (i.e. the Mining Operations) for 1H2016 decreased by around 70.4% from approximately RMB85.1 million in 1H2015 to approximately RMB25.2 million in 1H2016.

2.2 Financial position of the Group

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2015 and 30 June 2016 as extracted from the 2015 Annual Report and the 2016 Interim Report:

	As at	
	30 June 2016	**31 December 2015**
	(unaudited)	**(audited)**
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	75,236	77,725
Prepaid lease payments	8,940	9,125
Mining rights	488,923	491,880
Goodwill	2,119	2,119
Long term deposits	7,952	7,352
	583,170	588,201
Current assets		
Prepaid lease payments	371	371
Inventories	25,464	35,075
Trade and other payables	112,379	109,210
Bank balance and cash	15,700	34,668
Other current assets	939	353
	154,853	179,677
Total assets	738,023	767,878
Current liabilities		
Trade and other payables	51,054	49,235
Amounts due to related companies	20,537	22,141
Bank borrowings – due within one year	10,000	20,000
Other current liabilities	4,722	4,723
	86,313	96,099

	As at 30 June 2016 (unaudited) *RMB'000*	As at 31 December 2015 (audited) *RMB'000*
Non-current liabilities		
Corporate bonds	137,313	133,390
Provisions	2,291	2,275
Deferred tax liabilities	107,327	106,175
	246,931	241,840
Total liabilities	333,244	337,939
Net current assets	68,540	83,578
Total equity		
Share capital	83,706	83,706
Reserves	258,785	283,742
Equity attributable to owners of the Company	342,491	367,448
Non-controlling interests	62,288	62,491
	404,779	429,939

As at 30 June 2016, the Group's total assets amounted to approximately RMB738.0 million, which represented a slight decrease of around 3.9% from approximately RMB767.9 million as at 31 December 2015. There was no significant change in the total liabilities of the Group of around RMB333.2 million as at 30 June 2016 as compared with that of around RMB337.9 million as at 31 December 2015.

Non-current assets of the Group, which comprise mainly mining rights and property, plant and equipment, amounted to approximately RMB583.2 million as at 30 June 2016 as compared to approximately RMB588.2 million as at 31 December 2015.

The Group had bank balance and cash equivalents of approximately RMB15.7 million as at 30 June 2016, represented a prominent decrease of approximately 54.7% from 31 December 2015. The relatively higher cash and bank balance of the Group as at 31 December 2015 as compared to that as at 30 June 2016 was mainly due to the issuance by the Company a corporate bond of an aggregate principal amount of approximately HK$169.0 million (equivalent to approximately RMB133.6 million) with net proceeds of approximately HK$157.2 million (equivalent to approximately RMB124.3 million) during FY2015. The Group current assets recorded a decrease by around 13.8% from approximately RMB179.7 million as at 31 December 2015 to approximately RMB154.9 million as at 30 June 2015, which was mainly resulted from the decrease in bank balance and cash and inventories. Total bank borrowings of the Group decreased to approximately RMB10.0 million as at 30 June 2016 from approximately RMB20.0 million as at 31 December 2015. Balance of corporate bonds increased slightly to approximately RMB137.3 million as at 30 June 2016 from approximately RMB133.4 million as at 31 December 2015.

As at 30 June 2016, total equity attributable to owners of the Company amounted to approximately RMB342.5 million or approximately RMB0.37 per Share (equivalent to approximately HK$0.421 per Share based on 918,626,516 Shares in issue as at the Latest Practicable Date), represented a decrease of around 6.9% from approximately RMB367.4 million or approximately RMB0.40 per Share (equivalent to approximately HK$0.452 per Share based on 918,626,516 Shares in issue as at 31 December 2015) as at 31 December 2015.

The Group's net current assets decreased by around 18.0% from approximately RMB83.6 million as at 31 December 2015 to approximately RMB68.5 million as at 30 June 2016. The current ratio (being the current assets over the current liabilities) of the Group slightly decreased from approximately 1.87 times as at 31 December 2015 to approximately 1.79 times as at 30 June 2016.

3. Outlook of mining industry and mineral prices

Lower demand for metals, combined with a bleak global outlook sent metal prices. All mining companies regardless of size or commodity diversification felt the pinch, with the traditional miners taking the biggest hit. In accordance with "Commodity Market Outlook" published by the World Bank in October 2016, metals prices are projected to decline by 9% in 2016 due to surplus capacity in most markets. Despite a rebound in prices from January 2016 lows, average metals prices will be lower than last year. According to the World Bank, in 2017, average metals prices are projected to increase by 4% as most markets continue to rebalance. However, there are downside risks to the forecast include slower demand in the PRC and higher-than-expected global production, including restart of idled capacity. Having considered the above and the increasing production costs due to higher safety and environmental protection standard in the PRC, we consider that the prospect of mining industry in the PRC is expected to remain challenging in the near future.

4. Background to and reasons for the Subscription and the use of proceeds

As disclosed in the Circular, the gross proceeds from the Subscription are expected to be HK$95 million in aggregate. After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to approximately HK$93.7 million. The net Subscription Price is approximately HK$0.3748 per Subscription Share. It is expected that the net proceeds from the Subscription will be applied to the general working capital of the Group and expect to apply (i) approximately HK$59.7 million for the administrative expenses, including but not limited to rental, salary expenses, legal and professional fee and government levies; (ii) approximately HK$12.0 million for finance cost; and (iii) approximately HK$22.0 million for additions of property, plant and equipment, and mining rights.

As discussed under the section headed "2.1 Financial performance of the Group" above, the Group has been loss-making consistently since the financial year ended 31 December 2012. It is stated in the 2015 Annual Report that whilst a gross profit of approximately RMB9.6 million (equivalent to approximately HK$10.8 million) were recorded for FY2015, the administrative expenses and finance costs in aggregate amounted to approximately RMB78.5 million (equivalent to approximately HK$88.7 million) for FY2015.

Though the Company issued corporate bonds with aggregate principal amount of HK$169.0 million in early 2015, the Company has not conducted any equity fund raising activities since then and up to the date of the Announcement. As provided by the Management, most of the proceeds from the issuance of the corporate bonds has been applied for repayment of bank borrowings upon maturity. As at 30 September 2016, the Group had unaudited cash balance of approximately RMB16.3 million (equivalent to approximately HK$18.4 million). Having considered the above, the Company is considered having funding needs in view of the current low cash level and the forthcoming cash flow requirements as regard its ordinary operation expenses. We therefore concur with the view of the Directors that the Subscription represents an opportunity to raise readily available capital for the Company in order to meet its imminent funding needs and enhance its capital base.

5. Information on the Subscriber and its intention to Group

The Subscriber is a company incorporated in Hong Kong with limited liability and is a Shareholder which holds approximately 44.33% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is wholly-owned by Jiangsu Yue Da which is principally engaged in manufacturing, retailing, property development, coal and non-ferrous metal mining and is established and controlled by Yancheng Municipal People's Government.

As also stated in the letter from the Board, the Subscriber intends to maintain the existing business of the Group and the listing status of the Company on the Stock Exchange following Completion. The Subscriber has no intention to introduce any major changes to the existing business, including any redeployment of the employees or the fixed assets of the Group upon Completion, nor to make any major changes to the continued employment of the employees of the Group, other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion or restructuring of the Group's business operations materialises after Completion. However, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business developments of the Group, and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, the Subscriber has not entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion or restructuring of the Group's businesses.

As disclosed in the letter from the Board in the Circular, it is the intention of the Subscriber to maintain the existing business of the Group upon Completion. The Subscriber has no intention to introduce any major changes to the existing business, including any redeployment of the employees or the fixed assets of the Group upon Completion, nor to make any major changes to the continued employment of the employees of the Group, other than in its ordinary and usual course of business.

6. Financing alternatives available to the Group

We have made enquires towards the Directors and are advised that the Company has considered alternative financing methods including rights issue or open offer and debt financing.

The Management has approach a total of two securities firms to discuss the possibility of underwriting a rights issue by the Company. However, given the challenging outlook of mining industry in the PRC and the thin trading volume of the Shares, the Company has not been able to successfully procure an underwriter for the pre-emptive issues. In the circumstances, the Board considered that it may have difficulty in finding an independent underwriter in Hong Kong which is interested to fully underwrite a rights issue or an open offer of the Company for raising the proposed amount of funds.

Given the consistent loss-making performance and the deteriorating net current asset position of the Group, the Company believes that it could be difficult for it to procure further debt financing with favourable terms. In addition, given the considerable size of loan principal, any debt financing would result in further interest burden for the Group which may exert additional pressure on the working capital of the Group. Also the lengthy due diligence and negotiation process with relevant banks/creditors involved, as compared to equity fund-raising from the controlling Shareholder, would be less preferable in terms of timetable.

Having considered the above, in particular, (i) the difficulties for the Company to secure further facility from financial institutions at favourable financing terms given its consistent loss-making performance and deteriorating net current asset position; and (ii) the Company has tried but failed to procure underwriter(s) for the pre-emptive issues, or even if such an independent underwriter was identified, the rights issue or open offer would possibly incur costly underwriting commission and time, we concur with the Directors' view that the Subscription is an acceptable fund raising plan among the alternatives for the Company.

7. Principal terms of the Subscription Agreement

7.1 Issue of the new Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 new Shares at the Subscription Price of HK$0.38 per Subscription Share to the Subscriber, with an aggregate consideration of HK$95 million.

The Subscription Shares represent approximately 27.21% of the existing issued share capital of the Company as at the Latest Practicable Date. Upon Completion, the Subscription Shares represent approximately 21.39% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares). The Subscriber will then hold 657,241,333 Shares, representing approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares).

The Subscription Shares will be allotted and issued under the Specific Mandate to allot, issue and deal with Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

7.2 Conditions precedent

Completion is conditional upon fulfillment of, among others, (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; (ii) the Executive granting the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code to the Subscriber; and (iii) the Independent Shareholders approving the Subscription and the related transactions contemplated thereunder and the Specific Mandate (including the Whitewash Waiver to be approved by way of poll).

Please refer to the section headed "Conditions precedent" in the letter from the Board in the Circular for further details of the conditions precedent to the Subscription.

7.3 Completion

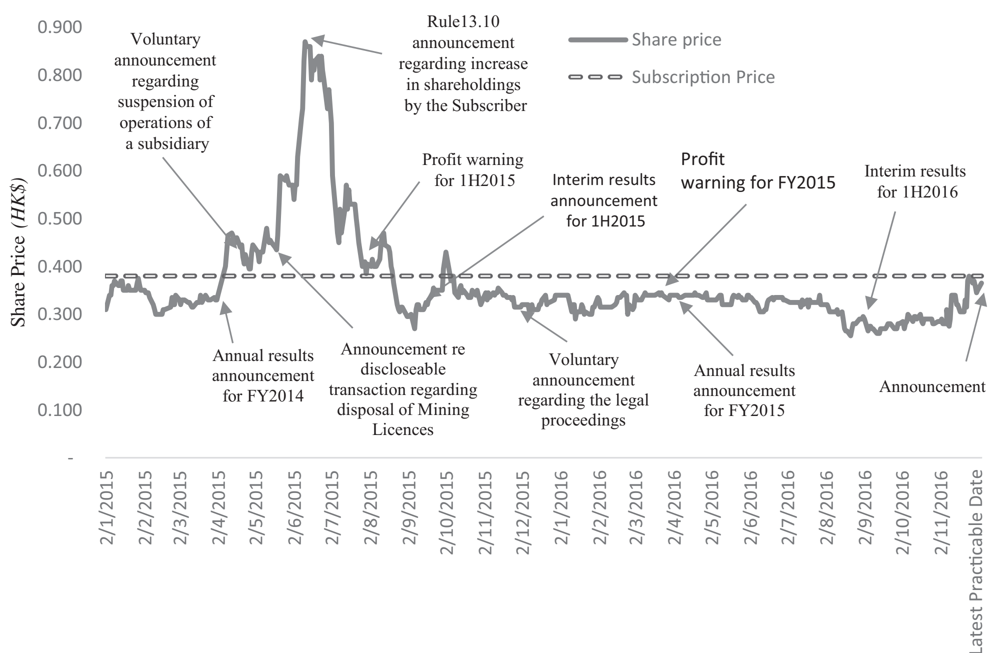
Completion will take place on the tenth Business Day (in any event, within one month after the passing of the relevant resolutions at the EGM) after the date on which all the conditions of the Subscription are fulfilled (or such other date as may be agreed between the Company and the Subscriber in writing).

Please refer to the section headed "The Subscription Agreement" in the letter from the Board of the Circular for more details of the principal terms of the Subscription.

8. Evaluation of the Subscription Price

8.1 Historical price performance of the Shares

Set out below is a chart reflecting movements in the closing prices of the Shares from 2 January 2015 up to and including the Latest Practicable Date, which represented a sufficient period of time to provide a general overview on the recent market performance of the Shares (the "**Review Period**"):



Source: Website of the Stock Exchange

From the chart above, the closing prices of the Shares were ranged from HK$0.255 to HK$0.870 per Share during the period from 2 January 2015 to 10 November 2016 (being the Last Trading Day) (both dates inclusive, the "**Pre-Announcement Period**"), with an average of approximately HK$0.365 per Share.

On 30 March 2015, the Company released the annual results announcement of the Group for FY2014. The closing price of the Shares since then started to lead a general upward trend, despite the release of the announcements by the Company regarding suspension of operation of a subsidiary and the disposal of target companies holding certain exploration and mining licenses of the Group's mining assets on 27 April 2015 and 3 June 2015 respectively. The closing prices the Shares continued to surge and reach its peak of HK$0.87 per Share on 11 June 2015, on which the Company published an announcement pursuant to Rule 13.10 of the Listing Rules regarding certain purchases of Shares made by the Subscriber. Since then, the closing price of the Share slid down from HK$0.860 on 12 June 2015 to HK$0.400 on 27 July 2015, on which the Company released a profit warning announcement for 1H2015. The closing price of the Shares continued to fall and reached HK$0.300 per Share on 31 August 2015, the day on which the Company released the interim results announcement for 1H2015. The closing price of the Shares ranged between HK$0.270 and HK$0.430 between 1 September 2015 and 23 November 2015. The Company released a voluntary announcement in the evening of 23 November 2015 regarding the progress of the legal proceedings concerning the Group's subscription agreement entered into with an independent third party in 2013. The closing prices of the Shares maintained at HK$0.330 per Share on 24 November 2015. The Shares closed at levels between HK$0.265 and HK$0.345 per Share during the period between 24 November 2015 and 18 August 2016. Following the release of the Company's interim results announcement for 1H2016 after trading hours on 18 August 2016, the closing price of the Shares dropped further to its lowest during the Review Period of HK$0.255 per Share on 22 August 2016. The Share prices then closed within a narrow range between HK$0.255 and HK$0.300 during the period between 22 August 2016 and the Last Trading Day. The Share price went up to HK$0.34 on 11 November 2016, on which trading in the Shares was halted during the day pending release of the Announcement. As noted from the chart above, save for 25 November 2016 on which the price of the Share closed at HK$0.380, since 5 October 2015 and up to the Latest Practicable Date, being the latest around 13-month time, the Share prices have consistently closed below the Subscription Price of HK$0.380.

The Subscription Price of HK$0.38 per Subscription Share, which represents:

(i) a premium of approximately 4.11% over the closing price per Share of HK$0.365 as quoted on the Stock Exchange on 5 December 2016, being the Latest Practicable Date;

(ii) a premium of approximately 31.03% over the closing price per Share of HK$0.29 as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 35.23% over the average closing price per Share of HK$0.281 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Announcement;

(iv) a premium of approximately 34.28% over the average closing price per Share of HK$0.283 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Announcement; and

(v) a discount of approximately 9.74% to the Group's unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2016 of approximately HK$0.421 (based on a total of 918,626,516 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net assets of approximately RMB342,491,000 (equivalent to approximately HK$387,014,830) as at 30 June 2016.)

8.2 Historical price performance of the Shares to the equity per Share attributable to owners of the Company

Release Date of interim/annual results	Period	Consolidated net assets attributable to owners of the Company per Share	Closing price per Share			Premium/(Discount) of closing prices of Shares to equity per Share attributable to owners of the Company per Share		
			Highest	Lowest	Average	Highest	Lowest	Average
		HK$				*Approx. %*	*Approx. %*	*Approx. %*
30-Mar-15	31-Mar-15 to 31-Aug-15	0.67	0.87	0.30	0.51	29.69	(55.28)	(23.98)
31-Aug-15	1-Sep-15 to 24-Mar-16	0.56	0.43	0.27	0.33	(23.80)	(52.15)	(41.52)
24-Mar-16	29-Mar-16 – 18-Aug-16	0.46	0.35	0.27	0.33	(24.62)	(41.85)	(28.93)
18-Aug-16	18-Aug-16 – Last Trading Day	0.43	0.30	0.26	0.28	(30.68)	(39.92)	(35.30)

Based on the analysis set out above, we note that, since 30 March 2015 up to the Last Trading Day, the average closing price of the Shares for each of the respective periods indicated above have been at a discount (the "**Average Discount(s)**") to the then consolidated net assets attributable to owners of the Company per Share . As shown in the table, such discounts ranged from approximately 23.98% to approximately 41.52%.

The Subscription Price of HK$0.38 represents a discount of approximately 9.74% to the consolidated net assets attributable to the owners of the Company per Share of approximately HK$0.421 per Share as at 30 June 2016, which is lower than the Average Discounts as shown above.

8.3 Comparison with recent subscription/placement/issue of new shares to connected person with the application of whitewash waiver

We have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) which announced subscriptions or placements or issues of new shares for cash by/to connected persons with the application of whitewash waiver during the period from 10 November 2014 (being the date 2 years prior to the Last Trading Day) up to and including the Latest Practicable Date, and such whitewash waiver application was granted by the Executive and such subscription/placement/issue was not terminated or lapsed. On such basis, we have identified 7 subscriptions/placements/issues of shares for cash with the application of whitewash waiver ("**Comparable Share Issues**") which provide a reasonable number of comparables for comparison purposes. We consider such list an exhaustive list of relevant comparable subscriptions/placements/issues of new shares based on the said criteria above. It should be noted that all the subject companies involved in the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. Circumstances leading to the subject companies to proceed with the subscription/placement/issue may also be different from that of the Company. However, as the Comparable Share Issues fulfill the above criteria with similar deal structures to the Subscription, and can provide a general reference of this type of transaction in Hong Kong equity capital market, we consider them to be an appropriate basis to assess the fairness of the Subscription Price.

Date of announcement	Name of the issuer	Stock code	Issue/ subscription price (HK$)	Premium/ (Discount) of the issue price/ subscription price over/to the closing price on last trading day (%)	Premium/ (Discount) of the issue price/ subscription price over/to the average closing price over the last 5 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price/ subscription price over/to the average closing price over the last 10 consecutive trading days up to and including the last trading day (%)	Whitewash waiver grant date
15-Apr-15	Shougang Concord Grand (Group) Limited	730	0.410	(7.9)	(6.2)	(3.1)	19-Jun-15
5-Aug-15	Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.)	1103	0.800	(4.8)	(15.8)	(13.0)	12-Nov-15
25-Feb-16	Jiangxi Copper Company Limited	358	7.870	(2.0)	(5.8)	(3.9)	15-Jul-16
13-Apr-16	Artini China Company Limited	789	0.074	(26.7)	(22.4)	(22.5)	7-Sep-16
17-May-16	New Times Energy Corporation Limited	166	0.154	(3.1)	(1.3)	(3.8)	12-Jul-16
31-Aug-16	China City Railway Transportation Technology Holdings Company Limited	1522	1.35	(9.4)	(8.5)	(4.7)	25-Oct-16
26-Sep-16	Sunac China Holdings Limited	1918	6.18	6.6	3.3	7.1	27-Oct-16
			Average	**(6.8)**	**(8.1)**	**(6.3)**	
			Minimum	**(26.7)**	**(22.4)**	**(22.5)**	
			Maximum	**6.6**	**3.3**	**7.1**	
	The Subscription		**0.380**	**31.0**	**35.2**	**34.3**	

Source: Website of the Stock Exchange

As shown in the above table, the subscription/placing/issue prices of the Comparable Share Issues ranged from (i) a discount of 26.7% to a premium of 6.6% to/over the respective closing prices of their shares on their respective last trading day(s) ("**Last Trading Day(s)**") prior to the release of the relevant announcement(s) in relation to such subscription/placement/issue or the relevant agreement date(s) relating to the respective subscription/placement/issue (the "**Last Trading Day Price**"), with an average discount of 6.8%; (ii) a discount of approximately 26.7% to a premium of 3.3% to/over the respective average closing prices of their shares over the last 5 consecutive trading days up to and including the Share Last Trading Day (the "**5 days Average Price**"), with an average discount of 8.1%; and (iii) a discount of approximately 22.5% to a premium of 7.1% to/over the respective average closing prices of their shares over the last 10 consecutive trading days up to and including the Share Last Trading Day (the "**10 days Average Price**"), with an average discount of 6.3%.

The Subscription Price represents a premium of (i) approximately 31.0% over the closing price of the Share on the Last Trading Day; (ii) approximately 35.2% over the average closing price of the Share for the last 5 consecutive trading days; and (iii) approximately 34.3% over the average closing price of the Share for the last 10 consecutive trading days, which is, therefore considered favourable to the Company.

8.4 Comparison with peer companies

As discussed above, revenue of the Group is generated from the Mining Operations (i. e. the exploration, mining and processing of zinc, lead, iron and gold). Therefore, we have identified companies (the "**Comparable Companies**") which (i) are listed on the Main Board of the Stock Exchange; and (ii) are principally engaged in the exploration, mining and processing of minerals in the PRC, and not less than 50% of revenue of which was derived from such business activities in the latest financial year as set out in their respective published annual results announcement/annual report. We consider the Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above.

As the Group was loss-making during FY2015, we did not perform a comparison between the Company and the Comparable Companies' price-to-earnings ratio. The table below illustrates the level of price-to-book ratio ("**P/B Ratio(s)**") of each of the Comparable Companies and the Company.

Company name	Hong Kong stock code	Closing share price on the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date	Net asset value attributable to equity holders	P/B Ratio
		HK$	*HK$'m*	*HK$'m*	
		(note 1)	*(note 1)*	*(note 1)*	*(note 2)*
China Daye Non-Ferrous Metals Mining Limited	661	0.143	2,559.1	2,832.6	0.9
China Vanadium Titano-Magnetite Mining Company Limited	893	0.345	715.9	2,072.8	0.3
CITIC Dameng Holdings Limited	1091	0.540	1,851.4	2,668.1	0.7
China Nonferrous Mining Corporation Limited	1258	1.480	5,163.8	4,975.5	1.0
China Polymetallic Mining Limited	2133	0.250	497.2	1,728.8	0.3
Wanguo International Mining Group Limited	3939	1.640	984.0	300.7	3.3
China Molybdenum Company Limited *(note 3)*	3993	2.000	65,117.2	19,571.3	3.3
				Average	**1.4**
				Maximum	**3.3**
				Minimum	**0.3**
Company		**0.380**	**349.1**	**397.3**	**0.9**
		(note 4)	*(note 5)*	*(note 6)*	*(note 7)*

Source: Website of the Stock Exchange and the Shanghai Stock Exchange

Notes:

1) The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange and the Shanghai Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share price and number of issued shares as at the Latest Practicable Date. The audited consolidated net asset value attributable to owners are extracted from the latest annual results announcements of the Comparable Companies.

2) The historical P/B Ratio of the Comparable Companies is calculated based on their latest audited consolidated net asset value attributable to owners and their market capitalisations as at the Latest Practicable Date.

3) China Molybdenum Company Limited is duly listed on the Stock Exchange (3993.hk) and the Shanghai Stock Exchange (603993.sh).

4) Being the Subscription Price of HK$0.38 per Subscription Share.

5) Theoretical market capitalisation of the Company being the sum of the Subscription Price times 918,626,516 Shares in issue as at the Latest Practicable Date.

6) Being the consolidated net asset value attributable to owners of the Company as at 30 June 2016 which is extracted from the 2016 Interim Report.

7) The P/B of the Company is calculated based on (i) its theoretical market capitalisation; and (ii) consolidated net asset value attributable to owners of the Company as at 30 June 2016.

8) For the purpose of this table, the translation of (i) RMB into HK$ is based on the average exchange rate of RMB1.00 to HK$1.13 and (ii) USD into HK$ is based on the average exchange rate of USD1.00 to HK$7.78 for the purpose of illustration only.

As at the Latest Practicable Date, the historical P/B Ratios of the Comparable Companies ranged from 0.3 times to 3.3 times with an average of 1.4 times. The P/B Ratio represented by the Subscription Price over the consolidated net asset value per share attributable to owners of the Company as at 30 June 2016 of approximately 0.9 times is within the range of the P/B Ratios of the Comparable Companies, which is considered in line with the market.

We note that whilst the P/B Ratio of the Company based on the Subscription Price is in line with the market, it is lower than the average of the P/B Ratio of the Comparable Companies. However, as discussed in section headed "8.2 Historical price performance of the Shares to the equity per Share attributable to owners of the Company" above, the closing price of the Shares has traded consistently below its consolidated net assets per Share since 30 March 2015, and the discount represented by the Subscription Price to the consolidate net assets per Share attributable to the owners of the Company as at 30 June 2016 is much lower than the Average Discounts and therefore, is favourable to the Company.

With reference to the discussions above, we consider the Subscription Price of HK$0.38 per Share is fair and reasonable after taking into account of the following factors including that,

1) the Subscription Price represents a premium over the closing prices of the Share since 5 October 2015 and Latest Practicable Date;

2) the discount represented by the Subscription Price of approximately 9.74% to the equity per Share attributable to owners of the Company as at 30 June 2016 is lower than the Average Discounts that ranged from approximately 23.98% to approximately 41.52%;

3) while the subscription/placing/issue prices of the Comparable Share Issues represent discounts to their respective Last Trading Day Price, 5 Days Price and 10 Days Average Price respectively, the Subscription Price representing a premium (i) of approximately 31.0% over the closing price of the Share on the Last Trading Day; (ii) of approximately 35.2% over the average closing price of the Share for the last 5 consecutive trading days immediately preceding the date of the Announcement; and (iii) of approximately 34.3% over the average closing price of the Share for the last 10 consecutive trading days immediately preceding the date of the Announcement, is considered favourable to the Company; and

4) the P/B Ratio of the Company calculated based on the theoretical market capitalisation represented by the Subscription Price of approximately 0.9 times is within the range of the P/B Ratios of the Comparable Companies, which is considered in line with the market.

On the above basis, we are of the view that the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

9. Effect on the shareholding structure of the Company

The table below sets out the effect of the Subscription on the shareholding structure of the Company immediately upon Completion (i) assuming no Outstanding Options are exercised and (ii) assuming all Outstanding Options are exercised:-

	As at the Latest Practicable Date		Immediately upon Completion (assuming no Outstanding Options are exercised)		Immediately upon Completion (assuming all Outstanding Options are exercised)	
	No. of Shares	*Approximately %*	*No. of Shares*	*Approximately %*	*No. of Shares*	*Approximately %*
The Subscriber	407,241,333	44.33	657,241,333	56.24	657,241,333	54.40
Mr. Qi Guangya (“**Mr. Qi**”) *(Note 1)*	–	–	–	–	2,018,116	0.17
Sub-total of the Subscriber and its parties acting in concert	407,241,333	44.33	657,241,333	56.24	659,259,449	54.57
Mr. Hu Husimin (“**Mr. Hu**”) *(Note 2)*	1,130,666	0.12	1,130,666	0.10	3,901,536	0.32
Mr. Bai Zhaoxiang (“**Mr. Bai**”) *(Note 3)*	–	–	–	–	2,213,281	0.18
Holders of Outstanding Options (Other than Mr. Qi, Mr. Hu and Mr. Bai)	–	–	–	–	32,463,792	2.69
Other public Shareholders	510,254,517	55.55	510,254,517	43.66	510,254,517	42.24
TOTAL	**918,626,516**	**100.00**	**1,168,626,516**	**100.00**	**1,208,092,575**	**100.00**

Notes:

1. Mr. Qi is a non-executive Director and is also a director of Jiangsu Yue Da.

2. Mr. Hu is an executive Director.

3. Mr. Bai is an executive Director.

As shown in the table above, the shareholding in the Company held by existing public Shareholders would be diluted from 55.55% as at the Latest Practicable Date to (i) approximately 43.66% immediately upon Completion (assuming no Outstanding Options are exercised); and (ii) approximately 44.93% immediately upon Completion (assuming all Outstanding Options are exercised).

However, taking into account (i) the benefits of the Subscription as discussed under the section headed "4. Background to and reasons for the Subscription and the use of proceeds" above; and (ii) that as discussed in the section headed "8. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as the Company and the Independent Shareholders are concerned.

10. Financial impact of the Subscription

Working capital

As at 30 September 2016, the unaudited cash balance of the Group amounted to approximately RMB16.3 million (equivalent to approximately HK$18.4 million). According to the 2016 Interim Report, the unaudited current assets and current liabilities of the Group were approximately RMB154.9 million and RMB86.3 million respectively as at 30 June 2016, resulting in a current ratio (defined as current assets divided by current liabilities) of approximately 1.79 times and net current assets of approximately RMB68.6 million (equivalent to approximately HK$77.5 million).

Given that the Subscription will bring in new capital (before expenses) of HK$95.0 million upon Completion, it is expected that both the cash position and the net current assets position of the Group will be enhanced immediately upon Completion.

Net asset value

As advised by the Directors, the Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds received under the Subscription; and (ii) an increase by the amount equivalent to the gross proceeds from the issue of the Subscription Shares in the share capital and share premium of the Company.

As set out in the 2016 Interim Report, the unaudited consolidated net assets attributable to the owners of the Company was approximately RMB342.5 million (equivalent to approximately HK$387.0 million) as at 30 June 2016 or approximately HK$0.42 per Share based on the total number of issued Shares of 918,626,516 as at the Latest Practicable Date.

Upon issuance of all the Subscription Shares pursuant to the Subscription Agreement at Completion, 250,000,000 new Shares will be issued by the Company. As advised by the Company, the full amount of the Subscription Shares will be recognised as equity under the captions of share capital and share premium upon their issuance and, accordingly, the consolidated net assets attributable to the owners of the Company is expected to be improved roughly by the same amount of the aggregate net proceeds of approximately HK$93.7 million received thereunder. Based on the unaudited consolidated net assets attributable to the owners of the Company of approximately RMB342.5 million (equivalent to approximately HK$387.0 million) as at 30 June 2016, the consolidated net assets attributable to the owners of the Company following the issuance of all the Subscription Shares upon Completion would become approximately HK$480.7 million, or approximately HK$0.41 per Share on a fully diluted basis based on the total 1,168,626,516 issued Shares as enlarged by the issue of the Subscription Shares. The consolidated net assets attributable to the owners of the Company following Completion of approximately HK$0.41 per Shares would represent a slight decrease from the consolidated net assets per Share attributable to the owner of the Company of approximately HK$0.42 each as at 30 June 2016. Therefore, it is expected that there would be a dilutive effect on the net assets value per Share as a result of the issue of Subscription Share.

However, taking into account that (i) the expected dilutive effect is not material; (ii) the benefits of the Subscription as discussed under the section headed "4. Background to and reasons for the Subscription and the use of proceeds" above; and (iii) as discussed in the section headed "8. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilutive effect on the net assets value per Share as a result of the issue of the Subscription Shares is commercially justifiable.

Gearing ratio

The gearing ratio of the Group is measured as bank borrowings and corporate bonds over the total assets of the Group. As advised by the Directors, it is expected that upon the issue of the Subscription Shares under the Subscription, the Group's total assets will increase by the amount of the net proceeds received thereunder while the Group's liabilities will not be affected. Accordingly, it is expected that the gearing ratio of the Group would be improved immediately upon the issue of the Subscription Shares under the Subscription.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon Completion and the issuance of the Subscription Shares pursuant to the Subscription.

11. The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber is a Shareholder which holds 407,241,333 Shares, representing approximately 44.33% of the issued share capital of the Company.

Upon Completion, the shareholding of the Subscriber will increase from approximately 44.33% to approximately 56.24% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares), hereby triggering a general offer obligation under the Takeovers Code.

An application have been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders taken on a poll at the EGM. As the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders.

We note that the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are part of the conditions precedent for the Subscription Agreement which are not waivable. If the Whitewash Waiver is not granted on or before 28 February 2017 (or such later date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement will terminate and the Subscription will not proceed. The Company would then lose all the benefits that are expected to be brought to the Group by the Subscription.

Taking into account (i) the continuing loss-making performance and the deteriorating net current asset position of the Group; (ii) the benefits of the Subscription as discussed under the section headed "4. Background to and reasons for the Subscription and the use of proceeds" above; and (iii) that as discussed under the section headed "8. Evaluation of the Subscription Price and the Conversion" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned, we consider the granting of the Whitewash Waiver to be fair and reasonable so far as the Independent Shareholders are concerned.

DISCUSSION AND ANALYSIS

The Subscription

Despite the dilution effect of the Subscription as discussed in the section headed "9. Effect on the shareholding structure of the Company" above, we consider that the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned after taking into account all the principal factors and reasons as discussed in our letter, in particular:

a) as discussed in details under the section headed "4. Background to and reasons for the Subscription and the use of proceeds" above, the Company is considered having funding needs in view of the current low cash level and the forthcoming cash flow requirements as regard its ordinary operation expenses, and as discussed in details in the section headed "6. Financing alternatives available to the Group" above, the Subscription is an acceptable fund raising plan for the Company among the financing alternatives;

b) as discussed in details in the section headed "8. Evaluation of the Subscription Price" above, save for 25 November 2016 on which the price of the Share closed at HK$0.380 the Shares prices have consistently closed below the Subscription Price since 5 October 2015 and up to the Latest Practicable Date, being a period of around 13 months. Although the Subscription Price represents a discount of approximately 9.74% to the consolidated net assets attributable to owners of the Company per Share as at 30 June 2016, such discount is lower than the Average Discounts that ranged from approximately 23.98% to approximately 41.52%;

c) as discussed in details in the section headed "8. Evaluation of the Subscription Price" above, the Subscription Price represents a premium over the prevailing closing prices of the Shares which is considered favourable to the Company as compared to the Comparable Share Issues; and

d) the Company's P/B Ratio represented by the Subscription Price is within the range of the P/B Ratios of the Comparable Companies and therefore, in line with the market.

The Whitewash Waiver

As stated in the letter from the Board in the Circular, the condition precedent relating to the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are not waivable by any party to the Subscription Agreement. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

Having considered the benefits of the Subscription, in particular, (i) the Subscription represents an opportunity to raise new capital for the Company in order to enhance its cash position and capital base, (ii) the fairness and reasonableness of the terms of the Subscription Agreement (including the Subscription Price); and (iii) the obtaining of the Whitewash Waiver being an essential elements for the Subscription, the granting of the Whitewash Waiver is therefore considered fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we consider that (i) the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for the three years ended 31 December 2013, 2014 and 2015 as extracted from the annual reports of the Company for each of the years ended 31 December 2013, 2014 and 2015; and (ii) the unaudited financial results of the Group for the six months ended 30 June 2016 as extracted from the interim report of the Company for the six months ended 30 June 2016.

	Six months ended 30 June 2016	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)	(audited)
Continuing operation				
Revenue	41,419	113,655	134,782	191,133
Loss before tax	(24,008)	(198,717)	(313,973)	(165,624)
Income tax (expense) credit	(1,152)	34,327	68,177	25,475
Loss for the year/period from continuing operation	(25,160)	(164,390)	(245,796)	(140,149)
Discontinued operation				
Profit (loss) for the year/period from discontinued operation	––	3,590	9,356	(5,306)
Loss and total comprehensive expense for the period/year	(25,160)	(160,800)	(236,440)	(145,455)
Loss per Share				
From continuing and discontinued operations				
Basic	RMB(2.72) cents	RMB(17.81) cents	RMB(24.46) cents	RMB(15.44) cents
Diluted	RMB(2.72) cents	RMB(17.81) cents	RMB(24.46) cents	RMB(15.44) cents
From continuing operation				
Basic	RMB(2.72) cents	RMB(17.96) cents	RMB(25.67) cents	RMB(15.14) cents
Diluted	RMB(2.72) cents	RMB(17.96) cents	RMB(25.67) cents	RMB(15.14) cents

	At 30 June 2016 *RMB'000* (unaudited)	At 31 December 2015 *RMB'000* (audited)	At 31 December 2014 *RMB'000* (audited)	At 31 December 2013 *RMB'000* (audited)
Non-current assets	583,170	588,201	774,854	1,089,140
Current assets	154,853	179,677	325,988	420,317
Current liabilities	86,313	96,099	340,576	373,472
Net current assets (liabilities)	68,540	83,578	(14,588)	46,845
Non-current liabilities	246,931	241,840	142,748	216,545
Net assets	404,779	429,939	617,518	919,440
Capital and Reserves				
Share capital	83,706	83,706	83,474	83,474
Reserves	258,785	283,742	446,078	670,619
Equity attributable to owners of the company	342,491	367,448	529,552	754,093
Non-controlling interests	62,288	62,491	87,966	165,347
Total Equity	404,779	429,939	617,518	919,440

The auditor of the Company, Deloitte Touche Tohmatsu, did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 December 2013, 2014 and 2015.

Save as disclosed in the item "Impairment losses on assets" in the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015, the Company had no items which are exceptional at extraordinary because of size, nature or incidence for the same financial years.

2. FINANCIAL STATEMENTS OF THE GROUP

(A) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2015

		2015	2014
	NOTES	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	*5*	113,655	134,782
Cost of sales		(104,026)	(145,033)
Gross profit (loss)		9,629	(10,251)
Other income		8,296	4,978
Other gains and losses	*6*	15,615	949
Impairment losses on assets	*7*	(153,784)	(219,822)
Impairment loss on available-for-sale investments	*19*	–	(11,123)
Administrative expenses		(60,015)	(62,587)
Finance costs	*9*	(18,458)	(16,117)
Loss before tax		(198,717)	(313,973)
Income tax credit	*10*	34,327	68,177
Loss for the year from continuing operations	*11*	(164,390)	(245,796)
Discontinued operation			
Profit for the year from discontinued operation	*12*	3,590	9,356
Loss and total comprehensive expense for the year		(160,800)	(236,440)

	NOTES	2015 RMB'000	2014 RMB'000
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company			
– from continuing operations		(164,782)	(235,051)
– from discontinued operation		1,377	11,055
		(163,405)	(223,996)
Profit (loss) and total comprehensive income (expense) for the year attributable to non-controlling interests			
– from continuing operations		392	(10,745)
– from discontinued operation		2,213	(1,699)
		2,605	(12,444)
Loss per share	*13*		
From continuing and discontinued operations			
– Basic		RMB(17.81) cents	RMB(24.46) cents
– Diluted		RMB(17.81) cents	RMB(24.46) cents
From continuing operations			
– Basic		RMB(17.96) cents	RMB(25.67) cents
– Diluted		RMB(17.96) cents	RMB(25.67) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current Assets			
Property, plant and equipment	15	77,725	104,639
Prepaid lease payments	16	9,125	9,418
Mining rights	17	491,880	614,606
Available-for-sale investments	19	–	4,841
Goodwill	20	2,119	2,119
Long term deposits	21	7,352	7,352
Deposits paid for acquisition of property, plant and equipment		–	4,602
Other receivables	23	–	27,277
		588,201	774,854
Current Assets			
Prepaid lease payments	16	371	449
Inventories	22	35,075	41,334
Trade and other receivables	23	109,210	132,026
Amounts due from related companies	24	129	27,895
Taxation receivable		224	224
Pledged bank deposits	25	–	100,540
Bank balances and cash	26	34,668	23,520
		179,677	325,988
Current Liabilities			
Trade and other payables	27	49,235	54,760
Amounts due to related companies	24	22,141	91,250
Amounts due to directors	28	314	297
Taxation payable		4,409	4,409
Bank borrowings – due within one year	29	20,000	189,860
		96,099	340,576
Net Current Assets (Liabilities)		83,578	(14,588)
Total Assets Less Current Liabilities		671,779	760,266

	NOTES	2015 RMB'000	2014 RMB'000
Capital and Reserves			
Share capital	30	83,706	83,474
Reserves		283,742	446,078
Equity attributable to owners of the Company		367,448	529,552
Non-controlling interests		62,491	87,966
Total equity		429,939	617,518
Non-current Liabilities			
Corporate bonds	31	133,390	–
Provisions	32	2,275	2,246
Deferred tax liabilities	33	106,175	140,502
		241,840	142,748
		671,779	760,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Capital contribution RMB'000 (Note iii)	Share options reserve RMB'000	Other reserve RMB'000 (Note iv)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1st January, 2014	83,474	903,463	38,574	157,178	21,717	19,738	(53,464)	(416,587)	754,093	165,347	919,440
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(223,996)	(223,996)	(12,444)	(236,440)
Acquisition of additional interest in a non-wholly owned subsidiary *(Note 37)*	–	–	–	–	–	–	(675)	–	(675)	(825)	(1,500)
Disposal of a subsidiary *(Note 38)*	–	–	–	–	–	–	–	–	–	(50,436)	(50,436)
Forfeiture of share options	–	–	–	–	–	(508)	–	508	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	130	–	–	130	–	130
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(13,676)	(13,676)
Transfer upon the impairment of the mining rights of the relevant subsidiary *(Note 18)*	–	–	–	–	–	–	13,201	(13,201)	–	–	–
At 31st December, 2014	83,474	903,463	38,574	157,178	21,717	19,360	(40,938)	(653,276)	529,552	87,966	617,518
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(163,405)	(163,405)	2,605	(160,800)
Forfeiture of share options	–	–	–	–	–	(4,434)	–	4,434	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	77	–	–	77	–	77
Exercise of share options	232	1,407	–	–	–	(415)	–	–	1,224	–	1,224
Dissolution of a subsidiary *(Note 44)*	–	–	–	–	–	–	–	–	–	(28,080)	(28,080)
At 31st December, 2015	83,706	904,870	38,574	157,178	21,717	14,588	(40,938)	(812,247)	367,448	62,491	429,939

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 Lead 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"). 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 its 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;

(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 1st 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 year ended 31st December, 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.

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired in 2007 and the respective differences between amount of non-controlling interests acquired and the fair value of consideration paid during the years ended 31st December, 2011 and 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2015

	NOTES	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Loss before tax			
– continuing operations		(198,717)	(313,973)
– discontinued operation		3,590	10,781
		(195,127)	(303,192)
Adjustments for:			
Amortisation of mining rights		17,875	27,917
Allowance for inventories		2,052	892
Finance costs		18,458	16,117
Depreciation of property, plant and equipment		10,267	20,916
Share-based payment expenses		77	130
Release of prepaid lease payments		371	371
Impairment losses on assets		153,784	219,822
Impairment loss on available-for-sale investments		–	11,123
Impairment loss on amount due from the Investees (as defined in Note 19)		–	11,384
(Gain) loss on disposal of property, plant and equipment		(5,271)	152
Adjustment on other receivables upon repayment		–	(3,906)
Gain on the disposal of some investments	19	(15,413)	–
Gain on disposal of a subsidiary	38	–	(8,532)
Interest income		(4,768)	(1,825)
Imputed interest income on amount due from the Investees		(927)	(2,668)

	NOTES	2015 RMB'000	2014 RMB'000
Operating cash flows before movements in working capital		(18,622)	(11,299)
Increase in long term deposits		–	(150)
Decrease in inventories		4,207	13,152
Increase in trade and other receivables		(8,473)	(1,080)
Decrease in trade and other payables		(3,027)	(3,822)
Increase in amounts due to directors		17	177
Cash used in from operations		(25,898)	(3,022)
Income tax paid		–	(10,209)
NET CASH USED IN OPERATING ACTIVITIES		(25,898)	(13,231)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,330)	(26,674)
Addition of mining rights		(12,290)	(9,647)
Sales proceed from the disposal of some investments	*19*	39,000	–
Repayment from related companies		1,000	–
Repayment of loan receivables	*23(i)*	12,773	–
Repayment of contingent consideration receivable	*42(i)*	–	29,849
Repayment of deferred consideration receivable	*23(iv)*	9,458	32,350
Repayment of amount due from the Investees	*23(iii)*	–	23,012
Deposit paid for acquisition of property, plant and equipment and a land use right		–	(4,602)
Interest received		4,768	1,412
Proceeds from disposal of property, plant and equipment		6,207	59
Deposits refunded (paid) for investments	*23(i)*	17,691	(6,042)
Refund of deposit for disposal of a subsidiary		–	(3,730)
Addition of pledged bank deposits		–	(100,540)
Release of pledged bank deposits	*25*	100,540	73,750
Withdrawal of short-term deposit		–	10,000
Disposal of a subsidiary (net of cash and cash equivalent disposal of)	*38*	–	(22,424)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		162,817	(3,227)

	NOTES	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES			
Bank borrowings raised		20,000	189,860
Repayment of bank borrowings		(189,860)	(207,286)
Repayment to related companies		(111,113)	(56,712)
Advance from related companies		38,776	50,000
Net proceeds from issue of corporate bonds	31	124,257	–
Proceeds from issue of shares upon exercise of share options		1,224	–
Interest paid		(7,741)	(10,358)
Acquisition of additional interest in a non-wholly owned subsidiary	37	–	(1,500)
Capital return by a subsidiary to its non-controlling interest upon dissolution	44	(1,314)	–
NET CASH USED IN FINANCING ACTIVITIES		(125,771)	(35,996)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		11,148	(52,454)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		23,520	75,974
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		34,668	23,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2015

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 exploration, mining and processing of zinc, lead, iron and gold.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the amendments to 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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2016
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods to be determined

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material effect on the amounts recognised in the Group's 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 on the Stock Exchange (''Listing Rules'') and by the Hong Kong Companies Ordinance (''CO'').

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain requirements of the new CO and to streamline with HKFRSs and have become effective for the financial year ended 31st December, 2015. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relevant interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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 assets or liabilities 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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction- by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Property, plant and equipment

Property, plant and equipment, including buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is 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. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised 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 or 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

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and 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 debt instrument, 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.

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 long term deposits, trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets 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.

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

For available-for-sale equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in the subsequent periods.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to related companies/directors, bank borrowings and corporate bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the 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 of the time value of money is material).

Impairment losses on tangible and intangible 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 tangible and intangible assets with finite useful lives 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.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 (or a CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods are recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measures reliably. Interest income 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 recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

Share options granted to employees

For grants of share options that are conditional upon satisfying specified service condition, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

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.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services other than services from employees or other related services are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at to the fair value of the equity instruments granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

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 before tax'' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 each 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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.

Estimated impairment of property, plant and equipment and mining rights

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the CGU to which the asset belongs. In determining the amount of an impairment loss of property, plant and equipment and mining rights of subsidiaries that are engaged in mining and processing of iron, zinc and lead in the PRC where each subsidiary is considered as a CGU for the year ended 31st December, 2015, the recoverable amount is measured by reference to the value in use. In determining the value in use, the Group estimated the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2015, the carrying amounts of property, plant and equipment and mining rights were RMB77,725,000 (2014: RMB104,639,000) and RMB491,880,000 (2014: RMB614,606,000) respectively. Details of the recoverable amount calculation for the CGUs are set out in Note 18.

During the year ended 31st December, 2015, impairment losses of RMB36,643,000 (2014: RMB49,795,000) and RMB117,141,000 (2014: RMB170,027,000) were recognised in relation to property, plant and equipment and mining rights respectively (see Note 7).

Useful lives of mining rights

The Group's management determines the estimated useful lives of 8 to 16 years (2014: 9 to 17 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of one to three years (2014: 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 licenses 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 licenses is changed.

As at 31st December, 2015, the carrying amount of mining rights was RMB491,880,000 (2014: RMB614,606,000).

Allowances for bad and doubtful debts

When there is an objective evidence that loans and receivables may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

In particular, the management, as at 31st December, 2015, has assessed the recoverability of "deposits paid for investments" with carrying amount of RMB45,567,000 and "loan receivables" with carrying amount of RMB38,962,000. The management considered that no impairment loss is required taking into account the fact that the fair value of the securities pledged by the Vendor (as defined in Note

23(i)) and Mineral Land (as defined in Note 23 (ii)) as at 31st December, 2015 is higher than their carrying amounts and the Group is in the process of negotiating with the relevant parties for the settlement arrangement.

As at 31st December, 2015, the carrying amounts of trade receivables, deposits paid for investments, loan receivables, deferred consideration receivable, amount due from the Investees (as defined in Note 19) and amounts due from related companies were RMB9,210,000 (2014: RMB1,238,000), RMB45,567,000 (2014: RMB61,204,000), RMB38,962,000 (2014: RMB48,952,000), nil (2014: RMB9,458,000), nil (2014: RMB17,819,000) and RMB129,000 (2014: RMB27,895,000) respectively. Other than an impairment loss of RMB11,384,000 that was recognised on the amount due from the Investees for the year ended 31st December, 2014, no allowance for bad and doubtful debts was made for the other items as mentioned above.

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Sale of zinc, lead and iron ore concentrates	51,097	70,570
Sale of gold and stone for construction from gold mine	62,558	64,212
	113,655	134,782

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 ("Mining Operations")

– management and operation of toll highway and bridge ("Toll Road Operation")

The Toll Road Operation was discontinued during the year ended 31st December, 2013. Details are set out in Note 12.

Segment result

The operating segment revenue from the Mining Operations contributes the entire revenue of the continuing operations of the Group. The CODM reviewed the segment loss, other income, other gains and losses as described below, impairment loss on available-for-sale investments, central administration costs and finance costs for the purposes of resource allocation and performance assessment.

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Revenue from Mining Operations	113,655	134,782
Segment loss	(182,192)	(266,459)
Other income	8,296	4,978
Other gains and losses		
– Adjustment on other receivables upon repayment	–	3,906
– Net foreign exchange gains	202	47
– Gain on disposal of a subsidiary	–	8,532
– Impairment loss on amount due from the Investees	–	(11,384)
– Gain on the disposal of some investments *(Note 19)*	15,413	–
Impairment loss on available-for-sale investments	–	(11,123)
Central administration costs	(21,978)	(26,353)
Finance costs	(18,458)	(16,117)
Loss before tax (continuing operations)	(198,717)	(313,973)

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

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 measurement of segment loss:

For the year ended 31st December, 2015

Continuing operations	Mining Operations	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*
Allowance for inventories	2,052	–	2,052
Depreciation and amortisation	28,513	–	28,513
Impairment losses on:			
– mining rights	117,141	–	117,141
– property, plant and equipment	36,643	–	36,643

For the year ended 31st December, 2014

Continuing operations	Mining Operations	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*
Allowance for inventories	892	–	892
Depreciation and amortisation	49,064	–	49,064
Impairment losses on:			
– mining rights	170,027	–	170,027
– property, plant and equipment	49,795	–	49,795

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% (2014: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

Information about major customers

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

	2015	2014
	RMB'000	*RMB'000*
Customer A *(Note)*	18,292	21,719
Customer B *(Note)*	17,070	15,868
Customer C *(Note)*	–	29,373

Note: The above customers are related to Mining Operations.

6. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Loss on disposal of property, plant and equipment	–	(152)
Gain on the disposal of some investments *(Note 19)*	15,413	–
Impairment loss on amount due from the Investees *(Note 23(iii))*	–	(11,384)
Adjustment on other receivables upon repayment *(Note 23(iii))*	–	3,906
Gain on disposal of a subsidiary *(Note 38)*	–	8,532
Net foreign exchange gains	202	47
	15,615	949

7. IMPAIRMENT LOSSES ON ASSETS

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Impairment losses on:		
– mining rights *(Note 17)*	117,141	170,027
– property, plant and equipment *(Note 15)*	36,643	49,795
	153,784	219,822

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the twelve (2014: ten) directors and the chief executive were as follows:

2015

	Executive directors				Non-executive directors				Independent non-executive directors				
	Mr. Mao Naihe *RMB'000* *(Note i)*	Mr. Hu Huaimin *RMB'000* *(Note ii)*	Mr. Bai Zhaoxiang *RMB'000* *(Note iii)*	Mr. Liu Xiaoguang *RMB'000* *(Note v)*	Mr. Wang Lian Chun *RMB'000* *(Note vi)*	Mr. Qi Guangya *RMB'000*	Mr. Dong Li Yong *RMB'000* *(Note iv)*	Mr. Chen Yunhua *RMB'000* *(Note viii)*	Mr. Cui Shu Ming *RMB'000*	Dr. Liu Yong Ping *RMB'000*	Mr. Cheung Ting Kee *RMB'000* *(Note vii)*	Ms. Leung Mei Han *RMB'000* *(Note ix)*	Total *RMB'000*
Fees	–	242	242	59	–	–	–	–	202	202	103	99	1,149
Other emoluments													
Salaries and other benefits	–	924	574	–	–	–	–	–	–	–	–	–	1,498
Accommodation provided by the Group	16	188	–	–	–	–	–	–	–	–	–	–	204
Contributions to retirement benefits schemes	–	45	45	–	–	–	–	–	–	–	–	–	90
Total emoluments	16	1,399	861	59	–	–	–	–	202	202	103	99	2,941

2014

	Executive directors				Non-executive directors				Independent non-executive directors			
	Mr. Hu Huaimin *RMB'000* *(Note ii)*	Mr. Bai Zhaoxiang *RMB'000* *(Note iii)*	Mr. Dong Li Yong *RMB'000* *(Note iv)*	Mr. Liu Xiaoguang *RMB'000* *(Note v)*	Mr. Qi Guangya *RMB'000*	Mr. Han Run Sheng *RMB'000* *(Note x)*	Mr. Dong Li Yong *RMB'000* *(Note iv)*	Mr. Chen Yunhua *RMB'000* *(Note viii)*	Mr. Cui Shu Ming *RMB'000*	Dr. Liu Yong Ping *RMB'000*	Ms. Leung Mei Han *RMB'000* *(Note ix)*	Total *RMB'000*
Fees	238	59	134	238	–	60	45	–	198	198	198	1,368
Other emoluments												
Salaries and other benefits	727	143	1,085	–	–	–	361	–	–	–	–	2,316
Accommodation provided by the Group	128	–	214	–	–	–	–	–	–	–	–	342
Discretionary bonus *(Note xi)*	59	10	49	–	–	–	16	–	–	–	–	134
Contributions to retirement benefits schemes	34	8	107	–	–	–	36	–	–	–	–	185
Share-based payments	8	2	11	8	6	–	4	18	–	–	–	57
Total emoluments	1,194	222	1,600	246	6	60	462	18	198	198	198	4,402

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Notes:

(i) This director was appointed on 4th August, 2015.

(ii) This director was appointed as the chief executive officer of the Company on 10th October, 2014.

(iii) This director was appointed on 10th October, 2014.

(iv) This director resigned as the chief executive officer of the Company on 29th September, 2014. With effect from 10th October, 2014, this director ceased to be an executive director and has been re-designated as a non-executive director. This director resigned on 5th January, 2015.

(v) This director resigned on 25th March, 2015.

(vi) This directors was appointed on 5th January, 2015.

(vii) This director was appointed on 21st July, 2015.

(viii) This director resigned on 5th January, 2015.

(ix) This director retired on 29th May, 2015.

(x) This director retired on 12th June, 2014.

(xi) Discretionary bonus was determined by the remuneration committee having regard to the performance of directors and the Group's operating result.

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors and chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2014: three) individuals including an individual before the appointment as director during the year ended 31st December, 2015 as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries and other benefits	1,625	1,733
Bonus	–	132
Contributions to retirement benefits schemes	107	145
Share-based payments	–	11
	1,732	2,021

Their emoluments were within the following bands:

	2015 *Number of employees*	2014 *Number of employees*
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors waived any emoluments in the year ended 31st December, 2015 (2014: nil).

9. FINANCE COSTS

	2015 *RMB'000*	2014 *RMB'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	7,741	10,358
Interest on corporate bonds	7,460	–
Imputed interest on provisions *(Note 32)*	29	27
Interest on loan from a related company	3,228	5,732
	18,458	16,117

10. INCOME TAX CREDIT

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Current tax		
– PRC Enterprise Income Tax	–	799
– withholding tax paid in respect of distribution of earning of PRC subsidiaries	–	4,200
Underprovision in prior years of PRC Enterprise Income Tax	–	648
	–	5,647
Deferred tax *(Note 33)*		
– current year	(34,327)	(73,824)
	(34,327)	(68,177)

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 applicable income tax rate for the PRC subsidiaries of the Group is 25% from 1st January, 2008 onwards.

A PRC mining subsidiary is entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC. The applicable tax rates of the PRC mining subsidiaries ranged from 15% to 25% for the year ended 31st December, 2015 (2014: 15% to 25%).

The income tax credit for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Loss before tax	(198,717)	(313,973)
Tax at the domestic income tax rate of 25% *(Note)*	(49,679)	(78,493)
Tax effect of expenses not deductible for tax purpose	12,485	5,511
Tax effect of income not taxable for tax purpose	(7,213)	(7,339)
Underprovision in prior years	–	648
Tax effect of tax losses not recognised	10,410	10,693
Utilisation of tax losses previously not recognised	(541)	–
Effect of different tax rates of subsidiaries	211	803
Income tax credit	(34,327)	(68,177)

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

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Loss and total comprehensive expense for the year has been arrived at after charging (crediting) the following items:		
Allowance for inventories (included in cost of sales)	2,052	892
Amortisation of mining rights (included in cost of sales)	17,875	27,917
Depreciation of property, plant and equipment	10,267	20,776
Release of prepaid lease payments	371	371
Auditors' remuneration	2,082	2,060
Cost of inventories sold	84,099	117,116
Employee benefit expenses, including directors' remuneration *(Note 8)* and share-based payment expense *(Note 34)*	45,905	49,388
Interest income from bank deposits	(4,758)	(1,395)
Interest income from deferred consideration receivable *(Note 23(iv))*	–	(413)
Imputed interest income on amount due from the Investees *(Note 23(iii))*	(927)	(2,668)

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION

The Group ceased its Toll Road Operation upon the expiry of the operating rights of toll road highway and bridge in May 2013. This operating segment is classified as discontinued operation.

	2015	**2014**
	RMB'000	*RMB'000*
Government compensation *(note)*	–	14,248
Other income	10	17
Gain on disposal of property, plant and equipment	5,271	–
Administrative expenses	(1,691)	(3,484)
Profit before tax	3,590	10,781
Income tax expense	–	(1,425)
Profit for the year	3,590	9,356
Profit for the year from discontinued operation has been arrived at after charging (crediting) the following:		
Depreciation of property, plant and equipment	–	140
Gain on disposal of property, plant and equipment	(5,271)	–
Interest income from bank deposits	(10)	(17)
Employee benefit expense (including severance payments to employees of nil (2014: RMB500,000))	635	2,435

Note: Since April 2013, the Company has been taking steps to seek compensation for its loss from the local government in Langfang City, Hebei Province arising from a change in location of a toll station as requested by the government. In June 2014, the government approved a compensation of RMB14,248,000.

The net cash flows attributable to the operating, investing and financing activities of the Toll Road Operation was not significant in both years.

There was no significant assets and liabilities of the Toll Road Operation at the end of both reporting periods.

13. LOSS PER SHARE

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

	Continuing and discontinued operations		Continuing operations	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss				
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	(163,405)	(223,996)	(164,782)	(235,051)
Number of shares	*Number*	*Number*	*Number*	*Number*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	917,239,635	915,691,876	917,239,635	915,691,876

Basic earnings per share for the discontinued operation is RMB0.15 cents (2014: RMB1.21 cents), based on the profit for the year attributable to owners of the Company from the discontinued operation of RMB1,377,000 (2014: RMB11,055,000) and the denominators detailed above for basic loss per share.

The computation of the diluted loss per share for the year ended 31st December, 2015 and 2014 does not assume the exercise of the share options because they would result in reduction in loss per share.

14. DIVIDEND

No dividend was paid or proposed by the directors for both years.

15. 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 1st January, 2014	68,489	20,775	103,991	103,959	13,776	11,792	35,995	358,777
Additions	1,964	67	2,142	3,063	1,870	218	28,894	38,218
Derecognised on disposal a subsidiary *(Note 38)*	–	–	–	–	(182)	(1,114)	–	(1,296)
Disposals	–	–	–	(1,474)	(58)	(392)	–	(1,924)
Transfer	1,178	–	36	2,180	–	–	(3,394)	–
At 31st December, 2014	71,631	20,842	106,169	107,728	15,406	10,504	61,495	393,775
Additions	1,905	901	4,571	1,449	151	–	11,955	20,932
Disposals	(2,276)	–	–	–	(6,265)	(1,300)	–	(9,841)
Transfer	6,911	–	–	–	–	–	(6,911)	–
At 31st December, 2015	78,171	21,743	110,740	109,177	9,292	9,204	66,539	404,866
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2014	33,407	6,784	86,044	59,790	12,404	7,458	14,842	220,729
Charge for the year	3,361	710	5,439	9,608	793	1,005	–	20,916
Impairment loss recognised in profit or loss	787	–	14,686	886	21	–	33,415	49,795
Eliminated on disposals	–	–	–	(1,308)	(52)	(353)	–	(1,713)
Eliminated on disposal of a subsidiary *(Note 38)*	–	–	–	–	(117)	(474)	–	(591)
At 31st December, 2014	37,555	7,494	106,169	68,976	13,049	7,636	48,257	289,136
Charge for the year	2,228	636	441	5,848	272	842	–	10,267
Impairment loss recognised in profit or loss	17,063	11,476	2,017	5,449	417	–	221	36,643
Eliminated on disposals	(1,820)	–	–	–	(6,004)	(1,081)	–	(8,905)
At 31st December, 2015	55,026	19,606	108,627	80,273	7,734	7,397	48,478	327,141
CARRYING VALUES								
At 31st December, 2015	23,145	2,137	2,113	28,904	1,558	1,807	18,061	77,725
At 31st December, 2014	34,076	13,348	–	38,752	2,357	2,868	13,283	104,639

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 remaining terms of the lease
Leasehold improvement	Over the shorter of 20 years or remaining terms of the lease
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 31st December, 2015, the carrying value of such buildings amounted to RMB18,429,000 (2014: RMB28,221,000). In the opinion of directors of the Company, the absence of formal title does not impair the value of the relevant buildings. The directors of the Company also believe that formal title of these buildings will be granted to the Group in due course.

During the year ended 31st December, 2015, an impairment loss amounting to RMB36,643,000 (2014: RMB49,795,000) for continuing operations was recognised. Impairment assessment is set out in Note 18.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land interest in the PRC.

	2015	**2014**
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current assets	371	449
Non-current assets	9,125	9,418
	9,496	9,867

As at 31st December, 2015, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB6,449,000 (2014: RMB6,520,000). In the opinion of directors of the Company, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors of the Company also believe that formal title of these land use rights will be granted to the Group in due course.

17. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2014	1,513,607
Addition	9,647
At 31st December, 2014	1,523,254
Addition	12,290
At 31st December, 2015	1,535,544
AMORTISATION AND IMPAIRMENT	
At 1st January, 2014	710,704
Charge for the year	27,917
Impairment loss recognised in the year *(Note 7)*	170,027
At 31st December, 2014	908,648
Charge for the year	17,875
Impairment loss recognised in the year *(Note 7)*	117,141
At 31st December, 2015	1,043,664
CARRYING VALUES	
At 31st December, 2015	491,880
At 31st December, 2014	614,606

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one to three years (2014: one to eight years). The Group's mining rights are expiring in the period from May 2016 to February 2017. In the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

The mining rights are amortised by using the units of production method based on the actual production quantity for the year over 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.

During the year ended 31st December, 2015, an impairment loss amounting to RMB117,141,000 (2014: RMB170,027,000) for continuing operations was recognised. Impairment assessment is set out in Note 18.

18. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

During the year ended 31st December, 2015, the management conducted an impairment review on the related assets of certain subsidiaries which are engaged in mining and processing of iron, zinc and lead in the PRC, due to (i) further decline in market prices of metals during the year ended 31st December, 2015 and the related price outlook as compared to the situation as at 31st December, 2014; (ii) the tightening of safety and environmental requirements by government of the PRC on mining industry which further increased the complexity of production processes and thus further increased the direct production costs during the year ended 31st December, 2015; and (iii) the suspension of the mining operation of Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") during the year ended 31st December, 2015 in view of the decline in market price of iron and the recurring loss making results, and not expected by the directors of the Company to resume the operation in the foreseeable future. Management considered each subsidiary as a separate CGU for the purposes of impairment testing.

The management determined that the recoverable amount of each CGU is determined based on its value in use. No market price is available for the mining rights and the related property, plant and equipment as there is no active market for similar asset transfer in the similar location. The table below summaries the impairment losses recognised for 3 CGUs:

	CGU 1 *(note i)*		**CGU 2** *(note i)*		**CGU 3** *(note ii)*	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of related assets of CGU						
– before impairment loss	317,675	348,912	5,530	42,000	80,579	178,054
– after impairment loss	250,000	315,000	–	5,530	–	62,800
Value in use of CGU	250,000	315,000	–	5,530	–	62,800
Impairment loss recognised for the year	67,675	33,912	5,530	36,470	80,579	115,254

The value in use calculation of each CGU is based on estimated cash flow projections prepared based on forecasted production schedules approved by the directors of the Company that reflect the net cash flows to be generated from the CGU from the expected mining and sales of the mineral concentrates less the estimated costs of the production of the mineral concentrates. The selling prices of the mineral concentrates are based on the quoted spot and forward metal market prices available at the end of the reporting period. Other key assumptions are as follows:

	CGU 1		**CGU 2**		**CGU 3**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Discount rate (%) *(note iii)*	19.99	19.86	19.89	19.89	18.32	19.55
Processing recovery rate (%)	67.35 to 86.25	67.35 to 86.25	67.00 to 70.00	67.00 to 70.00	92.85	97.85
Expected mine life period (years)	14	15	11	12	16	17

Notes:

(i) The CGUs are engaged in mining and processing of zinc and lead in the PRC.

(ii) The CGU is engaged in mining and processing of iron in the PRC.

(iii) The discount rates were determined based on the capital asset pricing model ranged from 18.32% to 19.99%.

Aggregate impairment losses of RMB117,141,000 and RMB36,643,000 (2014: RMB170,027,000 and RMB49,795,000) have been recognised on mining rights and production assets of Mining Operations included in the Group's property, plant and equipment respectively.

With the full impairment of the mining rights of a CGU, Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong"), during the year ended 31st December, 2014, the other reserve amounted to RMB13,201,000 arising from the acquisition of additional interests in Yaoan Feilong in 2007 was transferred to accumulated losses accordingly.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Unlisted equity securities:		
At cost	–	70,457
Less: Impairment	–	(65,616)
	–	4,841

Upon completion of the disposal of 41.1% of the equity interest in certain subsidiaries that are engaged in mining and processing of zinc and lead on prior years, the Group had retained 49% of the equity interest in those investees ("Investees") and would not be entitled to appoint any director to the Investees nor allowed to involve in the management, financial and operating decisions, and day to day operations of the Investees. The future operations of the Investees shall be funded solely by other shareholder of the Investees ("Feng Hua"). Accordingly, the Group has accounted for the retained interests in the Investees as available-for-sale investments since the disposal. Since the Investees did not have a quoted market price in an active market, in the opinion of the directors of the Company, the fair values of these unlisted equity securities could not be measured reliably subsequent to initial recognition and hence had been measured at cost less any identified impairment losses.

Certain group entities of the Investees were the holders of certain exploration and mining licenses in respect of certain mines located at Wengniuteqi, Chifeng City, Inner Mongolia, the PRC. The predominant minerals in the mines were lead and zinc. During the year ended 31st December, 2014, an objective evidence of impairment was considered to exist due to (i) decline in market prices of lead during the year ended 31st December, 2014 and the related price outlook; (ii) the tightening of safety and environmental requirements by the government of the PRC on mining industry which increased the complexity of production processes and thus increased the direct production costs during the year ended 31st December, 2014; (iii) the general increase in raw materials and production costs during the year ended 31st December, 2014; and (iv) adjustment to future production schedule due to the weak commodity market. The major assets and liabilities of these Investees were certain mining rights and the shareholders' loans. The directors of the Company performed an impairment assessment during the year ended 31st December, 2014 and determined the impairment loss based on the present value of the estimated future cash flows expected to be generated by these Investees which represented the net cash flows of (i) the revenue from the sales of the mineral concentrates from the production of the estimated minerals as extracted from the mines; and (ii) the estimated costs of the production of the mineral concentrates.

The Group recognised an impairment loss on the available-for-sale investments by RMB11,123,000 during the year ended 31st December, 2014.

On 2nd June, 2015, the Group entered into a disposal agreement with an independent third party to dispose of the entire 49% interest of the Investees and the amount due from the Investees with carrying amount of RMB18,746,000 (see Note 23(iii)) for an aggregate cash consideration of RMB39,000,000 (the "Disposal"). The Disposal was completed in August 2015 and a gain of RMB15,413,000 is recognised as other gains and losses in profit and loss during the year ended 31st December, 2015.

20. GOODWILL

	RMB'000
COST	
At 1st January, 2014, 31st December, 2014 and 31st December, 2015	12,170
IMPAIRMENT	
At 1st January, 2014, 31st December, 2014 and 31st December, 2015	10,051
CARRYING VALUES	
At 31st December, 2015	2,119
At 31st December, 2014	2,119

21. 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 0.35% (2014: 0.35%) 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 the government's requirements. They are not expected to be refunded within the next twelve months.

22. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials and consumables	16,713	19,551
Finished goods	18,362	21,783
	35,075	41,334

23. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Current		
Trade receivables	9,210	1,238
Bills receivables	8,200	2,100
Advance payments to suppliers	3,821	4,609
Deposits paid for investments *(Note i)*	45,567	61,204
Loan receivables *(Note ii)*	38,962	48,952
Other receivables and prepayments	3,450	13,923
	109,210	132,026
Non-current		
Amount due from the Investees *(Note iii)*	–	17,819
Deferred consideration receivable *(Note iv)*	–	9,458
	–	27,277
	109,210	159,303

Notes:

(i) During the year ended 31st December, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited (''YDM''), entered into a conditional subscription agreement (''Subscription Agreement'') for the subscription of 60% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise Technology Limited (''Everwise''), a company incorporated in the British Virgin Islands, at US$6 million (approximately RMB37,692,000); and New Aims Holdings Limited (''New Aims''), an independent third party and the original shareholder of Everwise shall subscribe for 40% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise at US$4 million (approximately RMB25,128,000). Up to 31st December, 2014, pursuant to the Subscription Agreement, a deposit of US$3 million (approximately RMB18,357,000) had been paid to Everwise (''Everwise Deposit'').

Under the Subscription Agreement, a bank account ("Joint Account") under the name of I-Treasure Investments Limited ("I-Treasure"), a wholly owned subsidiary of Everwise, was jointly maintained by YDM and New Aims to hold the Everwise Deposit. On 15th May, 2015, the proceedings between a bank (the "Bank"), I-Treasure and YDM ("Hong Kong Proceedings") commenced by originating summons on the application by the Bank for an order that I-Treasure and YDM state the nature of their claims on the monies in the Joint Account. A sum of US$4,870,000 (approximately RMB31,106,000) representing the monies in the Joint Account was deposited into the Hong Kong Court by the Bank pursuant to the Hong Kong Proceedings. A consent order between I-Treasure and YDM was issued by the High Court of Hong Kong Special Administrative Region Government on 9th October, 2015 (the "Order"), on the same date, a settlement agreement was entered into between New Aims, Everwise, I-Treasure, Mineral Land (as defined in Note (ii) below) and YDM (the "Settlement Agreement"). The details of the Settlement Agreement are set out on the Company's announcement dated 23rd November, 2015.

On 23rd November, 2015, pursuant to the Order, save for the taxed costs of the Bank to be paid out from the sum of US$100,000 (approximately RMB639,000) (the "Retained Amount"), the remaining balance of US$4,770,000 was received by YDM in which US$2,000,000 (approximately RMB12,773,000) represents partial repayment of the Mineral Land Loan (as defined in Note (ii) below) whilst the balance of US$2,770,000 (approximately RMB18,333,000) represents repayment of the Everwise Deposit pursuant to the Subscription Agreement.

As at 31st December, 2015, the Retained Amount is transferred to other receivables and prepayments, while the unsettled balance of Everwise Deposit of US$130,000 (approximately RMB825,000) is offset against other payables relating to the expenses incurred for the Subscription Agreement. The Everwise Deposit is fully settled during the year ended 31st December, 2015.

During the year ended 31st December, 2013, YDM entered into an acquisition agreement ("Acquisition Agreement") with an independent third party ("Vendor"). Pursuant to the Acquisition Agreement, YDM conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the entire issued share capital of two companies which are incorporated in the British Virgin Islands ("Target Companies") and (ii) the shareholder loans as at the completion date of the Acquisition Agreement of the Target Companies, at the consideration of US$34 million (subject to any downward adjustments). The Target Companies have entered into sale and purchase agreements to acquire the entire capital of a company incorporated in Vietnam ("Vietnam Company") which is principally engaged in the exploration of the certain mines in Vietnam which contain ilmenite, zircon, rutile and monazite ore resources. Since additional time is required by the Group to conduct due diligence on the Target Companies and Vietnam Company, on 30th June, 2014, YDM and the Vendor have agreed in writing to extend the long stop date to 30th September, 2014. As certain conditions precedent to the Acquisition Agreement were still not fulfilled on 15th November, 2014 (and the long stop date was not further extended), the Acquisition was terminated on the same date. In connection with the Acquisition Agreement, the charges over the entire issued share capital in Target Companies and the mortgage over the shares of the Vietnam Company in favour of YDM were made to the Group to secure repayments of the Deposits. Up to 31st December, 2015, pursuant to the Acquisition Agreement, an aggregate deposits of US$7 million (approximately RMB45,567,000) (2014: US$7 million (approximately RMB42,847,000)) have been paid to the Vendor ("Deposits"). YDM is in process of negotiating with the Vendor for the settlement arrangement and the directors of the Company believe that the Deposits will be refunded in full within twelve months from the end of the reporting period.

(ii) YDM entered into a loan agreement on 21st January, 2013 and subsequent supplemental agreement on 30th January, 2013 (collectively referred to "Loan Agreements") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party, which has the same ultimate controlling shareholder of New Aims and Everwise whereby YDM provided to Mineral Land a loan facility of up to US$16 million (approximately RMB100,500,000) for a term of one year, carrying a fixed interest of US$1 million payable on the maturity date of the loan. US$8 million was drawn by Mineral Land since the Loan Agreements were entered into. The facility is secured by (1) a pledge of 60% equity interest in a company incorporated in Vietnam; and (2) a charge of the entire issued share capital of Everwise held by New Aims. The facility is also guaranteed by a personal guarantee executed by an independent third party. On 23rd January, 2014, YDM and Mineral Land have agreed in writing to extend the maturity date of the Loan Agreements from 23rd January, 2014 to 23rd January, 2015. The loan was not repaid upon the maturity date on 23rd January, 2015.

Pursuant to the Settlement Agreement entered into on 9th October, 2015, the partial repayment of US$2 million (approximately RMB12,773,000) was made during the year ended 31st December, 2015. As at 31st December, 2015, the outstanding loan owed by Mineral Land was US$6 million (approximately RMB38,962,000) (2014: US$8 million (approximately RMB48,952,000))("Mineral Land Loan"). YDM is in the process of negotiating with the relevant parties for the settlement arrangement and the directors of the Company believe that the outstanding amount will be recovered in full within twelve months from the end of the reporting period.

(iii) The principal amount of the amount due from the Investees (as defined in Note 19) amount to RMB38,035,000 pursuant to the shareholders' agreement dated 16th August 2011. The amount is secured by the 51% equity interest of the Investees held by Feng Hua (as defined in Note 19) and interest-free. On 3rd July, 2014, another supplemental shareholder's agreement was entered into, pursuant to which the parties agreed to further extend the last date of payment of the principal amount of RMB38,035,000 to 30th June, 2016. Taking into account a number of extensions of the repayment date and the estimated future net cash flows expected to be generated by the Investees as detailed in Note 19, a loss of RMB11,384,000 was recognised for the year ended 31st December, 2014. The directors of the Company considered that the amount will not be repaid within one year from 31st December, 2014, accordingly the amount was classified as a non-current asset and was stated at amortised cost of RMB17,819,000 at 31st December, 2014. As mentioned in Note 19, in August 2015, the Disposal (as defined in Note 19) was completed.

In addition, there was another amount due from the Investees with principal amount of RMB23,012,000 as at 31st December, 2013 which was unsecured and interest-free. During the year ended 31st December, 2014, the amount was fully repaid. With the repayment of RMB23,012,000 from the Investees during the year ended 31st December, 2014, an adjustment of RMB3,906,000 was made to its carrying amount and recognised as other gains and losses in profit or loss (see Note 6).

As the amount due from the Investees are carried at amortised cost, an imputed interest of RMB927,000 (2014: RMB2,668,000) is recognised as other income in profit or loss during the year ended 31st December, 2015.

(iv) At 31st December, 2013, the amount of RMB41,395,000 was receivable from Feng Hua for the remaining balance of the deferred consideration for the disposal of 41.1% of the Investees. The 51% equity interests of the Investees held by Feng Hua have been pledged in favour of the Group to secure the performance of payment obligations of Feng Hua. On 3rd July, 2014, the Company and Feng Hua entered into another supplemental sales and purchase agreement, pursuant to which the parties agreed (i) to extend the last date of payment in full of the remaining receivable due from Feng Hua to 30th June, 2016; (ii) that Feng Hua shall pay an interest of 4% per annum on the outstanding balance from 1st July, 2014 to the date of full repayment of the outstanding balance (both days inclusive); and (iii) that the Company maintains the right to demand for early repayment of the outstanding balance (including the interest mentioned above).

During the year ended 31st December, 2014, Feng Hua repaid RMB32,350,000 and was charged an interest amounting to RMB413,000. The remaining receivable due from Feng Hua of RMB9,458,000 as at 31st December, 2014 was classified as non-current asset.

During the year ended 31st December, 2015, Feng Hua fully repaid the outstanding balance of RMB9,458,000.

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:

	2015	**2014**
	RMB'000	*RMB'000*
0-60 days	12,040	3,138
61-120 days	1,296	200
121-180 days	3,912	–
Over 180 days	162	–
	17,410	3,338

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.

In determining the recoverability of trade and bills receivables that were neither past due nor impaired, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the report date. Since no default payment history was noted and the amounts are within its credit period, the directors of the Company considered that there is no credit provision is required.

Included in the Group's trade receivables are debtors, with a carrying amount of RMB4,074,000 (2014: nil) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

24. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2015	**2014**
	RMB'000	*RMB'000*
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control *(Note i)*	–	26,766
Anhui Guan Hua Group Limited *(Note ii)*	129	1,129
	129	27,895

The amounts due from related companies are non-trade nature, unsecured, interest-free and repayable on demand.

The amounts due to related companies are non-trade nature, unsecured and repayable on demand. At 31st December, 2015, amount of RMB10,573,000 (2014: RMB88,991,000), RMB11,549,000 (2014: nil) and RMB19,000 (2014: RMB2,259,000) is due to Jiangsu Yue Da, ultimate parent, Yue Da HK and Yue Da Enterprise, fellow subsidiaries of the Company, respectively.

The amount due to Jiangsu Yue Da is interest-bearing at 5.46% per annum (2014: 7.05%). The remaining balance of amounts due to related companies are interest-free.

The Group's amount due to a related company that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2015	**2014**
	RMB'000	*RMB'000*
Hong Kong Dollars ("HK$")	19	2,259

Notes:

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

(ii) Anhui Guan Hua Group Limited is a non-controlling interest of the Company's subsidiary, Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua").

25. PLEDGED BANK DEPOSITS

As at 31st December, 2014, pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to RMB100,540,000 were pledged to secure short-term bank loans and were therefore classified as current asset. The pledged deposits carried fixed interest rate of 3.30% per annum. The pledged bank deposits were released upon the settlement of relevant bank borrowings during the year ended 31st December, 2015.

26. BANK BALANCES AND CASH

Cash at banks and on hands 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 0.35% (2014: 0.01% to 0.35%) 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:

	2015	**2014**
	RMB'000	*RMB'000*
US$	11,546	94
HK$	4,584	3,151

27. TRADE AND OTHER PAYABLES

	2015	**2014**
	RMB'000	*RMB'000*
Trade payables	7,542	10,738
Advance payments from customers	2,221	5,421
Accrued staff costs	7,905	8,346
Other tax payables	440	291
Mining fee payables	3,874	3,874
Other payables and accrued charges	27,253	26,090
	49,235	54,760

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

	2015	2014
	RMB'000	*RMB'000*
0-60 days	3,528	8,010
61-120 days	1,146	1,133
over 120 days	2,868	1,595
	7,542	10,738

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.

28. AMOUNTS DUE TO DIRECTORS

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

29. BANK BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Bank loans, repayable within one year* and shown under current liabilities		
Secured	–	99,860
Unsecured	20,000	90,000
	20,000	189,860

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

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is 5.52% (2014: 6.00% to 7.08%) per annum.

As at 31st December, 2014, the bank loans of RMB99,860,000 were secured by the Company's pledged bank deposits. As at 31st December, 2015, the bank loans of RMB20,000,000 (2014: RMB90,000,000) are guaranteed by Jiangsu Yue Da.

30. 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 1st January, 2014, 31st December, 2014 and 2015	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2014, 31st December, 2014 and 1st January, 2015	915,691,876	91,569	83,474
Exercise of share options	2,934,640	293	232
At 31st December, 2015	918,626,516	91,862	83,706

31. CORPORATE BONDS

On 11th March, 2015, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe and the Company has agreed to issue 6% coupon per annum unlisted corporate bonds in an aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with maturity date of forty-eighth months from the date of issue. During the year ended 31st December, 2015, the corporate bonds with aggregate principal amount of HK$169,000,000 (approximately to RMB133,611,000) were issued and the net proceeds of HK$157,170,000 (approximately to RMB124,257,000) were received by the Company. As at 31st December, 2015, the corporate bonds amounted HK$159,215,000 (approximately to RMB133,390,000) was recorded as non-current liabilities.

32. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2014	2,219
Imputed interest	27
At 31st December, 2014	2,246
Imputed interest	29
At 31st December, 2015	2,275

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 of the Company based on their best estimates and recognised on its initial recognition at an effective interest rate of 8.7% per annum.

33. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on mining rights acquired in business combinations	Decelerated tax depreciation	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January, 2014	208,625	(20,052)	25,753	214,326
Credit to profit or loss	(57,175)	(12,449)	–	(69,624)
Reversal upon payment of withholding tax	–	–	(4,200)	(4,200)
At 31st December, 2014	151,450	(32,501)	21,553	140,502
Credit to profit or loss	(33,092)	(1,235)	–	(34,327)
At 31st December, 2015	118,358	(33,736)	21,553	106,175

At the end of the reporting period, the Group had unused tax losses of approximately RMB138,451,000 (2014: RMB118,588,000) 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 RMB116,552,000 (2014: RMB142,163,000).

34. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and expired on 28th November, 2012. 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 of the Company 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.

The Scheme was terminated pursuant to a resolution passed on 9th June, 2011. Outstanding options under the Scheme shall continue to be valid and exercisable in accordance with the Scheme after its termination.

On 11th June, 2011, a new share option scheme was adopted pursuant to a resolution passed on 9th June, 2011 (the "New Scheme"). The purpose of the New Scheme is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. The New Scheme is valid for 10 years from the date of its adoption.

Under the New Scheme, the board of directors of the Company may, at its discretion, invite any eligible participant to take up options to subscribe for shares in the Company.

The eligibility of any of the eligible participants to an offer of share options shall be determined by the directors of the Company from time to time on the basis of the opinion of the directors of the Company as to his contribution to the development and growth of the Group. The eligible participants included:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity");

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Scheme, the offer of share options may be made to any company wholly owned by one or more eligible participants.

The making of an offer of share options to any director of the Company, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who or whose associate is the proposed grantee of an option).

The maximum number of the Company's shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Company shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Company if the grant of such option will result in the limit referred to in this paragraph being exceeded.

The total number of the Company's shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Company) to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Company's shares in issue at the date of approval of the New Scheme.

Options granted must be taken up not be later than 21 days from the offer date, upon payment of HK$1 per each grant. Any option under the New Scheme which has vested, in respect of which all conditions attaching to it have satisfied and which has not lapsed may be exercised at any time during the validity period of the options as specified in the offer for the grant of the options.

The exercise price in respect of any share option shall, subject to any adjustments made pursuant to the New Scheme for the event of any alteration in the capital structure of the Company, be at the discretion of the directors of the Company, provided that it shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Company's shares on the offer date of share options; (ii) the average closing price of the

Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date of share options; and (iii) the nominal value of the Company's share.

At 31st December, 2015, the number of shares in respect of which options remained outstanding under the Scheme was 39,466,059 (2014: 48,722,513), representing 4% (2014: 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 other eligible persons during the year:

	Date of grant	Exercise price per share *HK$*	Exercisable period	Outstanding at 1st January, 2015	Exercised during the year	Transfer during the year *(Note ii)*	Lapsed during the year	Outstanding at 31st December, 2015
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,179,069	–	(372,338)	(372,338)	434,393
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	3,759,366	–	(372,338)	(1,117,014)	2,270,014
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,591,800	–	(1,591,800)	–	–
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	5,157,432	–	(2,164,848)	(1,273,440)	1,719,144
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	3,868,074	–	(1,623,636)	(955,080)	1,289,358
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	3,868,074	–	(1,623,636)	(955,080)	1,289,358
				19,423,815	–	(7,748,596)	(4,672,952)	7,002,267
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,481,004	–	372,338	(197,330)	2,656,012
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	3,687,393	–	372,338	(708,692)	3,351,039
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	742,840	–	1,591,800	(530,600)	1,804,040
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	–	–	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	–	–	159,180
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	4,987,641	(933,856)	2,164,848	(84,896)	6,133,737
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	3,740,730	(700,392)	1,623,636	(63,672)	4,600,302
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	3,740,730	(700,392)	1,623,636	(63,672)	4,600,302
	23rd January, 2014	0.445	*Note i*	9,000,000	–	–	–	9,000,000
	2nd September, 2014	0.442	2nd September, 2014 to 1st September, 2019	600,000	(600,000)	–	–	–
				29,298,698	(2,934,640)	7,748,596	(1,648,862)	32,463,792
Total				48,722,513	(2,934,640)	–	(6,321,814)	39,466,059
Exercisable				39,722,513				30,466,509
Weighted average exercise price (HK$)				0.66				0.71

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 1st January, 2014	Granted during the year *(Note iii)*	Transfer during the year	Lapsed during the year	Outstanding at 31st December, 2014
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,179,069	–	–	–	1,179,069
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,978,705	–	780,661	–	3,759,366
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,591,800	–	–	–	1,591,800
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	4,584,384	–	573,048	–	5,157,432
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	3,438,288	–	429,786	–	3,868,074
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	3,438,288	–	429,786	–	3,868,074
				17,210,534	–	2,213,281	–	19,423,815
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,592,706	–	–	(111,702)	2,481,004
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	4,542,521	–	(780,661)	(74,467)	3,687,393
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	742,840	–	–	–	742,840
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	–	–	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	–	–	159,180
	16th December, 2010	1.2721	17th December, 2010 to 16th December, 2020	152,812	–	–	(152,812)	–
	16th December, 2010	1.2721	17th December, 2011 to 16th December, 2020	114,609	–	–	(114,609)	–
	16th December, 2010	1.2721	17th December, 2012 to 16th December, 2020	114,609	–	–	(114,609)	–
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	5,815,377	–	(573,048)	(254,688)	4,987,641
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	4,361,532	–	(429,786)	(191,016)	3,740,730
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	4,361,532	–	(429,786)	(191,016)	3,740,730
	23rd January, 2014	0.445	*Note i*	–	9,000,000	–	–	9,000,000
	2nd September, 2014	0.442	2nd September, 2014 to 1st September, 2019	–	600,000	–	–	600,000
				23,116,898	9,600,000	(2,213,281)	(1,204,919)	29,298,698
Total				40,327,432	9,600,000	–	(1,204,919)	48,722,513
Exercisable				32,527,612				39,722,513
Weighted average exercise price (HK$)				0.71				0.66

Notes:

(i) Pursuant to a grant letter entered between the Company and an eligible grantee (''Grantee'') on 23rd January, 2014 (''Grant Letter''), share options in respect of up to a total of 9,000,000 ordinary shares of HK$0.10 each in the share capital of the Company were granted by the Company to the Grantee in consideration of the provision by the Grantee as an investment consultant engaged by the Company of certain services to the Group from time to time. The exercisable period of those share options is from the date of the exercise condition being satisfied as specified in the Grant Letter, and expire on the third anniversary of the date of grant. The details of the Grant Letter are set out in the Company's announcement dated 23rd January, 2014. As at 31st December, 2015, no share options granted under the Grant Letter is exercisable.

(ii) The options transferred relates to resignation of Mr. Chen Yunhua and Mr. Liu Xiaoguang as directors on 5th January, 2015 and 25th March, 2015, respectively. They were granted the options in the capacity as directors and still held the options in the capacity as other eligible persons.

(iii) The options transferred relates to appointment of a director, Mr. Bai Zhaoxiang on 10th October, 2014, who received the options in his capacity as an employee before the appointment as director.

The Group recognised the total expenses of RMB77,000 (2014: RMB130,000) for the year ended 31st December, 2015 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 shareholders 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 debts, which include amounts due to related companies, amounts due to directors, bank borrowings, corporate bonds 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 associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale investments	–	4,841
Loans and receivables		
(including cash and cash equivalents)	147,463	313,901
Financial liabilities		
Amortised cost	207,050	314,521

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, long term deposits, trade and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies/directors, bank borrowings and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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

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	
	2015	2014	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	–	–	96,074	110,250
HK$	133,723	2,556	4,584	3,151

Sensitivity analysis

The Group is mainly exposed to HK$ and US$ exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$ and US$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes other receivables, amounts due from related companies, amounts due to related companies, amounts due to directors, bank balances and corporate bonds that are denominated in HK$ and US$. A positive number below indicates an increase in post-tax loss for the year where HK$ and US$ weakening 5% (2014: 5%) against the functional currency of the relevant group entities. For a 5% (2014: 5%) strengthen of HK$ and US$ against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	US$ Impact		**HK$ Impact**	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Post-tax loss for the year	4,011	4,603	(5,392)	25

The Group's sensitivity to foreign currency has increased during the current year mainly due to an increase in liabilities that are denominated in HK$.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other receivables, pledged bank deposits and corporate bonds. 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 Hong Kong Interbank Offered Rate and The People's Bank of China Base Lending Rate 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 and variable-rate bank balances at the end of the reporting period and management considers that such exposure for long term deposits 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 (2014: 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 variable-rate bank balances and all other variables were held constant, the Group's post-tax loss the year ended 31st December, 2015 would increase/decrease by RMB41,000 (2014: RMB632,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31st December, 2015, 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.

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 other receivables and amounts due from related companies. Other receivables were mainly due from two (2014: six) external parties. And the amounts due from related companies in non-trade nature were mainly attributed to one (2014: two) related company.

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and amounts due from related companies 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.

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*
2015								
Non-derivative financial liabilities								
Trade and other payables	–	25,275	340	5,549	41	–	31,205	31,205
Amounts due to related companies	–	22,122	–	19	–	–	22,141	22,141
Amounts due to directors	–	314	–	–	–	–	314	314
Bank borrowings (variable rate)	5.52%	20,690	–	–	–	–	20,690	20,000
Corporate bonds	7.81%	–	782	5,971	162,763	–	169,516	133,390
		68,401	1,122	11,539	162,804	–	243,866	207,050

	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*
2014								
Non-derivative financial liabilities								
Trade and other payables	–	31,107	541	1,365	101	–	33,114	33,114
Amounts due to related companies	–	88,990	–	2,260	–	–	91,250	91,250
Amounts due to directors	–	297	–	–	–	–	297	297
Bank borrowings (variable rate)	6.23%	198,020	–	–	–	–	198,020	189,860
		318,414	541	3,625	101	–	322,681	314,521

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.

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 of the Company 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.

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.

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable (see Note 42 (i)) *RMB'000*
At 1st January, 2014	43,525
Settlement	(43,525)
At 31st December, 2014 and 31st December, 2015	–

37. ACQUISITION OF A SUBSIDIARY

During the year ended 31st December, 2014, Tong Ling Guan Hua further acquired the remaining 5% equity interest of Tong Ling Guan Hua Renewable Energy Company Limited ("Tong Ling Renewable") at a cash consideration of RMB1,500,000 ("Tong Ling Renewable Acquisition"). An amount of RMB675,000 has been debited to the Group's other reserve at the date of acquisition for the share of other reserve of Tong Ling Guan Hua which is the difference between the carrying amount of non-controlling interests acquired and the fair value of the total consideration paid by Tong Ling Guan Hua. After the completion of Tong Ling Renewable Acquisition, Tong Ling Renewable was dissolved and all of its assets and liabilities were transferred to Tong Ling Guan Hua before the dissolution.

38. DISPOSAL OF A SUBSIDIARY

On 27th May, 2013, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with certain third parties ("Purchasers") pursuant to which the Group has conditionally agreed to sell and the third parties have conditionally agreed to acquire the 49% equity interest in Liangshan Prefecture Yuechuan Mining Co., Limited ("Yuechuan Mining"). Yuechuan Mining is treated as a non-wholly owned subsidiary of the Company, as the Group has the right to appoint a majority of the board of directors of Yuechuan Mining based on the relevant agreement and related articles of association. The total consideration for the disposal is RMB56,990,000. The disposal was completed during the year ended 31st December, 2014.

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

	RMB'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	705
Trade and other receivables	25,022
Amounts due from group companies	54,524
Bank balances and cash	22,424
Trade and other payables	(3,781)
	98,894
Non-controlling interests	(50,436)
	48,458
Gain on disposal	8,532
Total consideration	56,990
Satisfied by:	
Assignment of amounts due from group companies to the Purchasers	54,524
Deferred consideration (included in other receivables and prepayments)	2,466
	56,990
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(22,424)

During the period between 1st January, 2014 and the date of disposal, Yuechuan Mining contributed no profit or loss to the Group's results. Yuechuan Mining did not have material effect on the Group's cash flow during the year ended 31st December, 2014.

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% (2014: 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% (2014: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,755,000 (2014: RMB1,575,000) 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 and equipment during the year ended 31st December, 2015 amounted to RMB3,324,000 (2014: RMB4,283,000).

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:

	2015	**2014**
	RMB'000	*RMB'000*
Within one year	3,058	2,876
In the second to fifth year inclusive	5,862	41
	8,920	2,917

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB8,807,000 (2014: RMB2,804,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

41. CAPITAL COMMITMENTS

	2015	2014
	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	2,395	7,484

42. MAJOR NON-CASH TRANSACTION

(i) During the year ended 31st December, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company, from Bright Harvest Holdings Limited ("Bright Harvest"), an independent third party. Absolute Apex Limited owned the entire equity interest in Ample Source Investment Limited, which owned 70% equity interest in Tong Ling Guan Hua. Bright Harvest and the remaining non-controlling interest of Tong Ling Guan Hua agreed to, jointly and severally, compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua up to 30th June, 2013. As at 31st December, 2013, the contingent consideration receivable, being the receivable on the compensation, amounted to RMB43,525,000 was included in trade and other receivables. During the year ended 31st December, 2014, the non-controlling interests of Tong Ling Guan Hua repaid an amount of RMB29,849,000 in cash and the remaining balance of RMB13,676,000 was offset against dividend payable to non-controlling interests of Tong Ling Guan Hua.

(ii) During the year ended 31st December, 2015, Langfang Tongda was dissolved. Upon the dissolution of Langfang Tongda, an amount due from Langfang Bureau, non-controlling interest of Langfang Tongda, of RMB26,766,000 was offset against the capital return to Langfang Bureau of RMB28,080,000.

43. 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 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:

Name of related parties	**Nature of transactions**	**2015** *RMB'000*	**2014** *RMB'000*
Ultimate holding company			
Jiangsu Yue Da	Interest expenses on loan	3,228	5,732
Immediate holding company			
Yue Da HK	Rentals paid for office premises and staff quarters by the Group *(Note)*	2,642	2,610
Fellow subsidiary			
Yue Da Enterprise	Rentals paid for staff quarter by the Group *(Note)*	192	190

Note: The rentals were charged in accordance with the relevant tenancy agreements.

As at 31st December, 2015, Jiangsu Yue Da had given corporate guarantees to banks to secure the loan facilities granted to the Group to the extent of RMB40,000,000 (2014: RMB90,000,000). The facilities are general working capital facilities and will be expired in September 2016. As at 31st December, 2015, a total amount of RMB20,000,000 (2014: RMB90,000,000) was utilised by the Group.

Details of the outstanding balances with Jiangsu Yue Da and its subsidiaries are set out in Note 24.

Details of the operating lease commitment with the related parties are set out in Note 40.

(b) 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) 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:

	2015	**2014**
	RMB'000	*RMB'000*
Short-term benefits (including share-based payments)	2,911	5,119
Post-employment benefits	149	314
	3,060	5,433

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2015 and 2014 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company 2015 %	2014 %	Principal activities
Baoshan Feilong Nonferrous Metal Co., Ltd. *(Note i)*	PRC	Registered capital – RMB34,500,000	100	100	Mining and processing zinc, copper and lead
Zhen'an County Daqian Mining Development Co., Ltd. *(Note i)*	PRC	Registered capital – RMB5,000,000	100	100	Mining and processing zinc and lead
Langfang Tongda *(Note ii)*	PRC	Registered capital – US$11,250,000	–	51	Inactive
Tengchong Ruitu Mining *(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	70	Mining, processing and sales of gold and processing and sales of tailings and leach residue of gold ores
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) Langfang Tongda is a sino-foreign cooperative joint venture and dissolved during the year ended 31st December, 2015. Upon the dissolution of Langfang Tongda, an amount due from Langfang Bureau, non-controlling interest of Langfang Tongda, of RMB26,766,000 was offset against the capital return to Langfang Bureau of RMB28,080,000. A cash of RMB1,314,000 was paid to Langfang Bureau.

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

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

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON- CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tong Ling Guan Hua	PRC	30%	30%	392	(10,712)	62,491	62,099
Individually immaterial subsidiaries with non-controlling interests						–	25,867
						62,491	87,966

Summarised financial information in respect of the Group's subsidiary that has material non- controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tong Ling Guan Hua

	2015	**2014**
	RMB'000	*RMB'000*
Current assets	61,252	53,845
Non-current assets	317,795	335,737
Current liabilities	(66,965)	(73,645)
Non-current liabilities	(74,288)	(77,039)
Equity attributable to owners of Tong Ling Guan Hua	175,303	176,799
Non-controlling interests	62,491	62,099
Revenue	62,558	57,352
Expenses	(63,662)	(93,058)
Loss for the year	(1,104)	(35,706)
(Loss) profit and total comprehensive expenses attributable to		
– owners of Tong Ling Guan Hua	(1,496)	(24,994)
– non-controlling interests	392	(10,712)
Loss and total comprehensive expenses for the year	(1,104)	(35,706)
Net cash inflow (outflow) from operating activities	1,158	(32,562)
Net cash (outflow) inflow from investing activities	(291)	6,732
Net cash (outflow) inflow from financing activities	(5,233)	27,480
Net cash (outflow) inflow	(4,366)	1,650

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	44	39
Investments in subsidiaries	60,447	65,632
Amount due from a subsidiary	630,451	630,428
	690,942	696,099
Current assets		
Other receivables	87,420	111,232
Amounts due from fellow subsidiaries	13	13
Amount due from a related company	97	–
Bank balances and cash	16,503	3,595
	104,033	114,840
Current liabilities		
Other payables and accruals	6,857	5,889
Amount due to a fellow subsidiary	41,214	31,456
Amount due to a related party	19	2,259
Amounts due to directors	314	297
	48,404	39,901
Net current assets	55,629	74,939
Total assets less current liabilities	746,571	771,038
Capital and reserves		
Share capital	83,706	83,474
Reserves	283,435	441,654
Equity attributable to owners of the Company	367,141	525,128
Non-current liability		
Corporate bonds	133,390	–
Amount due to a subsidiary	246,040	245,910
	379,430	245,910
	746,571	771,038

Movement in the Company's reserves:

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital contribution RMB'000 (Note i)	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January, 2014	83,474	903,463	231,749	16,581	19,738	(514,246)	740,759
Loss for the year	–	–	–	–	–	(215,761)	(215,761)
Forfeiture of share options	–	–	–	–	(508)	508	–
Recognition of equity-settled share-based payments	–	–	–	–	130	–	130
At 31st December, 2014	83,474	903,463	231,749	16,581	19,360	(729,499)	525,128
Loss for the year	–	–	–	–	–	(159,288)	(159,288)
Forfeiture of share options	–	–	–	–	(4,434)	4,434	–
Recognition of equity-settled share-based payments	–	–	–	–	77	–	77
Exercise of share options	232	1,407	–	–	(415)	–	1,224
At 31st December, 2015	83,706	904,870	231,749	16,581	14,588	(884,353)	367,141

Notes:

(i) 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 Hong Ling paid on behalf of the Group without any consideration by Yue Da Enterprise, which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da. 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 its 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;

(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 1st 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 year ended 31st December, 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.

(B) UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following is the full text of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2016 as extracted from the interim report of the Company for the six months ended 30 June 2016:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

		Six months ended	
		30.6.2016	**30.6.2015**
	NOTES	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)
Continuing operation			
Revenue	*3*	41,419	68,132
Cost of sales		(36,753)	(60,478)
Gross profit		4,666	7,654
Other income		2,420	6,033
Other gains and losses	*4*	(748)	1,322
Impairment losses on assets	*5*	–	(68,087)
Administrative expenses		(24,115)	(29,964)
Finance costs	*6*	(6,231)	(10,940)
Loss before tax		(24,008)	(93,982)
Income tax (expense) credit	*7*	(1,152)	8,877
Loss for the period from continuing operation	*8*	(25,160)	(85,105)
Discontinued operation			
Profit for the period from discontinued operation	*9*	–	4,133
Loss and total comprehensive expense for the period		(25,160)	(80,972)

	NOTES	Six months ended 30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company			
– from continuing operation		(24,957)	(86,149)
– from discontinued operation		–	2,108
		(24,957)	(84,041)
(Loss) profit and total comprehensive (expense) income for the period attributable to non-controlling interests			
– from continuing operation		(203)	1,044
– from discontinued operation		–	2,025
		(203)	3,069
Loss per share	*11*		
From continuing and discontinued operations			
– Basic		RMB(2.72) cents	RMB(9.18) cents
– Diluted		RMB(2.72) cents	RMB(9.18) cents
From continuing operation			
– Basic		RMB(2.72) cents	RMB(9.41) cents
– Diluted		RMB(2.72) cents	RMB(9.41) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2016

	NOTES	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	75,236	77,725
Prepaid lease payments		8,940	9,125
Mining rights	13	488,923	491,880
Goodwill		2,119	2,119
Long term deposits		7,952	7,352
		583,170	588,201
Current Assets			
Prepaid lease payments		371	371
Inventories		25,464	35,075
Trade and other receivables	14	112,379	109,210
Amounts due from related companies	15	715	129
Taxation receivable		224	224
Bank balances and cash		15,700	34,668
		154,853	179,677
Current Liabilities			
Trade and other payables	16	51,054	49,235
Amounts due to related companies	15	20,537	22,141
Amounts due to directors		313	314
Taxation payable		4,409	4,409
Bank borrowings – due within one year	17	10,000	20,000
		86,313	96,099
Net Current Assets		68,540	83,578
Total Assets Less Current Liabilities		651,710	671,779

	NOTES	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Capital and Reserves			
Share capital	*18*	83,706	83,706
Reserves		258,785	283,742
Equity attributable to owners of the Company		342,491	367,448
Non-controlling interests		62,288	62,491
Total Equity		404,779	429,939
Non-current Liabilities			
Corporate bonds	*19*	137,313	133,390
Provisions		2,291	2,275
Deferred tax liabilities		107,327	106,175
		246,931	241,840
		651,710	671,779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2016

	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*
At 1st January, 2015 (audited)	83,474	903,463	38,574	157,178	21,717	19,360	(40,938)	(653,276)	529,552	87,966	617,518
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(84,041)	(84,041)	3,069	(80,972)
Forfeiture of share options	–	–	–	–	–	(3,598)	–	3,598	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	78	–	–	78	–	78
Exercise of share options	184	1,168	–	–	–	(338)	–	–	1,014	–	1,014
At 30th June, 2015 (unaudited)	83,658	904,631	38,574	157,178	21,717	15,502	(40,938)	(733,719)	446,603	91,035	537,638
At 1st January, 2016 (audited)	83,706	904,870	38,574	157,178	21,717	14,588	(40,938)	(812,247)	367,448	62,491	429,939
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(24,957)	(24,957)	(203)	(25,160)
At 30th June, 2016 (unaudited)	83,706	904,870	38,574	157,178	21,717	14,588	(40,938)	(837,204)	342,491	62,288	404,779

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2016

	NOTE	Six months ended 30.6.2016 RMB'000 (unaudited)	Six months ended 30.6.2015 RMB'000 (unaudited)
Net cash used in operating activities		(839)	(15,035)
Net cash used in investing activities			
Purchase of property, plant and equipment		(542)	(10,905)
Repayment of deferred consideration receivable		–	9,458
Repayment from related companies		129	34,326
Advance to related companies		(629)	(113,405)
Deposit paid for acquisition of property, plant and equipment and a land use right		–	(167)
Placement of long term deposits		(600)	–
Other investing cash flows		121	10,290
		(1,521)	(70,403)
Net cash (used in) from financing activities			
Repayment of bank borrowings		(10,000)	(40,000)
Proceeds from issue of corporate bonds	19	–	124,257
Proceeds from issue of shares upon exercise of share options		–	1,014
Repayment to related companies		(2,490)	(2,259)
Advance from related companies		607	10,000
Other financing cash flows		(4,725)	(5,849)
		(16,608)	87,163
Net (decrease) increase in cash and cash equivalents		(18,968)	1,725
Cash and cash equivalents at beginning of the period		34,668	23,520
Cash and cash equivalents at end of the period, represented by bank balances and cash		15,700	25,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2016

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2015.

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 mandatorily 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 segment under HKFRS 8, based on information reported to the chief operating decision maker ("CODM"), represented by the executive directors, for the purposes of resource allocation and performance assessment are (1) exploration, mining and processing of zinc, lead, iron and gold ("Mining Operations") and (2) the management and operation of toll highway and bridge ("Toll Road Operations").

The Toll Road Operations was discontinued in the six months ended 30th June, 2013. Details are set out in note 9.

The operating segment revenue from Mining Operations contributes the entire revenue of the continuing operation of the Group. Reconciliation of the operating segment loss from continuing operation to loss before tax is as follows:

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Continuing operation		
Mining Operations revenue	41,419	68,132
Segment loss	(12,641)	(80,272)
Other income	2,420	6,033
Other gains and losses		
– Net foreign exchange (losses)/gains	(708)	1,322
– Loss on disposal of property, plant and equipment	(40)	–
Central administration costs	(6,808)	(10,125)
Finance costs	(6,231)	(10,940)
Loss before tax (continuing operation)	(24,008)	(93,982)

Segment loss represents the loss from the segment without allocation of other income, other gains and losses as described above, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Continuing operation		
Net foreign exchange (losses) gains	(708)	1,322
Loss on disposal of property, plant and equipment	(40)	–
	(748)	1,322

5. IMPAIRMENT LOSSES ON ASSETS

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Continuing operation		
Impairment losses on:		
– property, plant and equipment *(Note 12)*	–	27,263
– mining rights *(Note 13)*	–	40,824
	–	68,087

6. FINANCE COSTS

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Continuing operation		
Interest on bank borrowings wholly repayable within five years	496	5,849
Imputed interest on provision	16	14
Interest on corporate bonds	5,440	2,142
Interest on loan from a related party	279	2,935
	6,231	10,940

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Continuing operation		
Deferred tax		
– current period *(Note)*	1,152	(8,877)
	1,152	(8,877)

Note: During the six months ended 30th June, 2016, nil (for the six months ended 30th June, 2015: RMB10,206,000) was credited to profit or loss from continuing operation for the release of deferred tax liability in respect of temporary difference associated with the fair value adjustment on mining rights to the extent of the impairment loss recognised for mining rights.

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. The applicable tax rates of those PRC mining subsidiaries ranged from 15% to 25% for the six months ended 30th June, 2016 (for the six months ended 30th June, 2015: 15% to 25%).

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Loss for the period from continuing operation has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (included in cost of sales)	2,957	7,882
Depreciation of property, plant and equipment	2,896	6,854
Release of prepaid lease payments	185	185
Total depreciation and amortisation	6,038	14,921
Cost of inventories sold	28,393	52,596
Share-based payments expense	–	78
Interest income from bank deposits	(26)	(4,073)
Imputed interest income on amount due from investees	–	(684)

9. PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATION

The Group ceased its Toll Road Operations upon the expiry of the operating rights of toll road highway and bridge in May 2013. This operating segment was classified as discontinued operation.

	Six months ended	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Other income	–	10
Gain on disposal of property, plant and equipment	–	5,271
Administrative expenses	–	(1,148)
Profit before tax	–	4,133
Income tax expense	–	–
Profit for the period	–	4,133
Profit for the period from discontinued operation has been arrived at after crediting the following:		
Gain on disposal of property, plant and equipment	–	(5,271)
Interest income from bank deposits	–	(10)

Toll Road Operations was operated by a subsidiary, Langfang Tongda Highway Co., Ltd ("Langfang Tongda"). Langfang Tongda was dissolved during the year ended 31st December, 2015.

The net cash flows attributable to the operating, investing and financing activities of the Toll Road Operations was not significant during the six months ended 30th June, 2015.

There was no significant assets and liabilities of the Toll Road Operations at the date on which the operation was discontinued.

10. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30th June, 2016. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2016.

11. LOSS PER SHARE

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

	Continuing and discontinued operations Six months ended		Continuing operation Six months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss				
Loss for the period attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	(24,957)	(84,041)	(24,957)	(86,149)
Number of shares	*Number*	*Number*	*Number*	*Number*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	918,626,516	915,879,491	918,626,516	915,879,491

Basic earnings per share for the discontinued operation was RMB0.23 cents for the six months ended 30th June, 2015 based on the profit for the period attributable to owners of the Company from the discontinued operation of RMB2,108,000 for the six months ended 30th June, 2015 and the denominators detailed above for basic loss per share.

The computation of the diluted loss per share for both periods do not assume the exercise of the share options because they would result in reduction in loss per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2016, the Group incurred RMB542,000 (for the six months ended 30th June, 2015: RMB15,507,000) on the purchase of property, plant and equipment. During the six months ended 30th June, 2015, the Group recognised an impairment loss amounting to RMB27,263,000 for continuing operation. Impairment assessment is set out in Note 13.

13. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2016 and at 30th June, 2016	1,535,544
AMORTISATION AND IMPAIRMENT	
At 1st January, 2016	1,043,664
Charge for the period	2,957
At 30th June, 2016	1,046,621
CARRYING VALUE	
At 30th June, 2016	488,923
At 31st December, 2015	491,880

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one to three years. The Group's mining rights are expiring in the period from August 2016 to February 2017. 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 mining rights are amortised by using the units of production method based on the actual production quantity for the period over 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.

During the six months ended 30th June, 2015, the management conducted an impairment review on the related assets of Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") which is engaged in mining and processing of iron located in the PRC, due to (1) a general decline in the price of iron in the international commodity market during the six months ended 30th June, 2015 and the related price outlook; (2) the tightening of safety and environmental requirements by government of the PRC on mining industry which increased the complexity of production processes and thus increased the direct production costs; and (3) the suspension of operation by Tengchong Ruitu. Management considered Tengchong Ruitu represents a separate cash-generating unit ("CGU") for the purpose of impairment testing.

The management determined that the recoverable amount of the CGU is determined based on its value in use. No market price is available for the mining rights and the related property, plant and equipment as there is no active market for similar asset transfer in the similar location.

The value in use calculation of the CGU is based on estimated cash flow projections prepared based on forecasted production schedules approved by the directors of the Company that reflect the net cash flows to be generated from the CGU from the expected mining and sales of the mineral concentrates less the estimated costs of the production of the mineral concentrates, at a discount rate of 18.32%. The selling prices of the mineral concentrates are based on the quoted spot and forward metal market prices available at the end of the reporting period. Other key assumptions for the value in use calculation including processing recovery rate and expected mine life period.

Aggregate impairment losses of RMB40,824,000 and RMB27,263,000 for the six months ended 30th June, 2015 had been recognised on mining rights and production assets included in the Group's property, plant and equipment respectively.

During the six months ended 30th June, 2016, no impairment loss is recognised on mining rights and production assets included in the Group's property, plant and equipment.

14. TRADE AND OTHER RECEIVABLES

	30.06.2016	**31.12.2015**
	RMB'000	*RMB'000*
Current		
Trade receivables	7,165	9,210
Bills receivables	8,405	8,200
Advance payments to suppliers	6,384	3,821
Deposits paid for investments *(Note i)*	46,532	45,567
Loan receivable *(Note ii)*	39,787	38,962
Other receivables and prepayments	4,106	3,450
	112,379	102,910

Notes:

(i) During the year ended 31st December, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited ("YDM") entered into an acquisition agreement ("Acquisition Agreement") with an independent third party ("Vendor"). Pursuant to the Acquisition Agreement, YDM conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the entire issued share capital of two companies which are incorporated in the British Virgin Islands ("Target Companies") and (ii) the shareholder loans as at the completion date of the Acquisition Agreement of the Target Companies, at the consideration of US$34 million (subject to any downward adjustments.) The

Target Companies have entered into sale and purchase agreements to acquire the entire capital of a company incorporated in Vietnam ("Vietnam Company") which is principally engaged in the exploration of the certain mines in Vietnam which contain ilmenite, zircon, rutile and monazite ore resources. Since additional time is required by the Group to conduct due diligence on the Target Companies and Vietnam Company, on 30th June, 2014, YDM and the Vendor have agreed in writing to extend the long stop date to 30th September, 2014. As certain conditions precedent to the Acquisition Agreement were still not fulfilled on 15th November, 2014 (and the long stop date was not further extended), the Acquisition was terminated on the same date. In connection with the Acquisition Agreement, the charges over the entire issued share capital in Target Companies and the mortgage over the shares of the Vietnam Company in favour of YDM were made to the Group to secure repayments of the Deposits (as defined below). Up to 30th June, 2016, pursuant to the Acquisition Agreement, an aggregate deposits of US$7 million (approximately RMB46,532,000 (31st December, 2015: US$7 million (approximately RMB45,567,000)) have been paid to the Vendor ("Deposit"). YDM is in process of negotiating with the Vendor for the settlement arrangement and the directors of the Company believe that the Deposit will be refunded in full within twelve months from the end of the reporting period.

(ii) YDM entered into a loan agreement on 21st January, 2013 and subsequent supplemental agreement on 30th January, 2013 (collectively referred to "Loan Agreements") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party, which has the same ultimate controlling shareholder of New Aims (as defined below), whereby YDM provided to Mineral Land a loan facility of up to US$16 million (approximately RMB100,500,000) for a term of one year, carrying a fixed interest of US$1 million payable on the maturity date of the loan. US$8 million was drawn by Mineral Land since the Loan Agreements were entered into. The facility is secured by (1) a pledge of 60% equity interest in a company incorporated in Vietnam; and (2) a charge of the entire issued share capital of Everwise Technology Limited, a company incorporated in British Virgin Islands, held by New Aims Holdings Limited ("New Aims"). The facility is also guaranteed by a personal guarantee executed by an independent third party. On 23rd January, 2014, YDM and Mineral Land have agreed in writing to extend the maturity date of the Loan Agreements from 23rd January, 2014 to 23rd January, 2015. The loan was not repaid upon the maturity date on 23rd January, 2015.

Pursuant to the settlement agreement entered into on 9th October, 2015, the partial repayment of US$2 million (approximately RMB12,773,000) was made during the year ended 31st December, 2015. As at 30th June, 2016, the outstanding loan owed by Mineral Land was US$6 million (approximately RMB39,787,000) (31st December, 2015: US$6 million (approximately RMB38,962,000). YDM is in the process of negotiation with the relevant parties for the settlement arrangement and the directors of the Company believe that the outstanding amount will be recovered in full within twelve months from the end of the reporting period.

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

	30.06.2016	**31.12.2015**
	RMB'000	*RMB'000*
0-60 days	11,842	12,040
61-120 days	1,940	1,296
121-180 days	1,272	3,912
Over 180 days	516	162
	15,570	17,410

15. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.06.2016	**31.12.2015**
	RMB'000	*RMB'000*
Anhui Guan Hua Group Limited ("Anhui Guan Hua") *(Note i)*	–	129
Yue Da Enterprise (Group) HK Limited ("Yue Da Enterprise") *(Note ii)*	715	–
	715	129

Notes:

(i) Anhui Guan Hua is a non-controlling interest of the Company's subsidiary, Tong Ling Guan Hua Mining Company Limited.

(ii) Yue Da Enterprise is a fellow subsidiary of the Company.

The amounts due from related companies are non-trade nature, unsecured, interest–free and repayable on demand.

The amounts due to related companies are non-trade nature, unsecured and repayable on demand. At 30th June, 2016, amounts of RMB10,853,000 (31st December, 2015: RMB10,573,000), RMB9,077,000 (31st December, 2015: RMB11,549,000), RMB607,000 (31st December, 2015: nil) and nil (31st December, 2015: RMB19,000) are due to Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), ultimate parent, Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), immediate holding company of the Company, Anhui Guan Hua and Yue Da Enterprise, respectively. The amount due to Jiangsu Yue Da is interest-bearing at 5.52% per annum (31st December, 2015: 5.46%). The remaining balance of amounts due to related companies are interest-free.

16. TRADE AND OTHER PAYABLES

	30.06.2016	**31.12.2015**
	RMB'000	*RMB'000*
Trade payables	8,075	7,542
Other payables	42,979	41,693
	51,054	49,235

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.

	30.06.2016	**31.12.2015**
	RMB'000	*RMB'000*
0-60 days	4,219	3,528
61-120 days	734	1,146
Over 120 days	3,122	2,868
	8,075	7,542

17. BANK BORROWINGS

At 30th June, 2016 and 31st December, 2015, bank borrowings represented the unsecured bank loans which were repayable within one year and shown under current liabilities. The amounts due are based on scheduled repayment dates set out on the loan agreements.

The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowings is 5.52% (31st December, 2015: 5.52%) per annum.

18. 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 1st January, 2015	915,691,876	91,569	83,474
Exercise of share options	2,334,640	234	184
At 30th June, 2015	918,026,516	91,803	83,658
Exercise of share options	600,000	59	48
At 31st December, 2015 and 30th June, 2016	918,626,516	91,862	83,706

19. CORPORATE BONDS

On 11th March, 2015, the Company entered into the subscription agreement with an independent third party ("Subscriber") pursuant to which the Subscriber has agreed to subscribe and the Company has agreed to issue 6% coupon unlisted corporate bonds in the aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with maturity date of forty-eighth months from the date of issue. During the six months ended 30th June, 2015, the corporate bonds with aggregate principal amount of HK$169,000,000 (approximately to RMB133,611,000) were issued and the net proceeds of HK$157,170,000 (approximately to RMB124,257,000) were received by the Company.

20. 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 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:

Name of related parties	Nature of transactions	Six months ended 30.6.2016	30.6.2015
		RMB'000	*RMB'000*
Ultimate holding company			
Jiangsu Yue Da	Interest expense on loan	279	2,935
Immediate holding company			
Yue Da HK	Rentals paid for office premises and staff quarter by the Group *(Note)*	1,309	1,304
Fellow subsidiary			
Yue Da Enterprise	Rentals paid for staff quarters by the Group *(Note)*	176	95

Note: The rentals were charged in accordance with the relevant tenancy agreements.

As at 30th June, 2016, 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 RMB20,000,000 (31st December, 2015: RMB40,000,000). As at 30th June, 2016, a total amount of RMB10,000,000 (31st December, 2015: RMB20,000,000) was utilised by the Group.

Details of the outstanding balance with Jiangsu Yue Da, Yue Da HK and Yue Da Enterprise are set out in Note 15.

(b) 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 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) 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	
	30.6.2016	**30.6.2015**
	RMB'000	*RMB'000*
Short-term benefits	1,307	1,683
Post-employment benefits	122	85
	1,429	1,768

21. CAPITAL COMMITMENTS

	30.06.2016	**31.12.2015**
	RMB'000	*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	2,154	2,395

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal activities of the Group are exploration, mining and processing of zinc, lead, iron, gold and stone for construction.

The Group owns five mines, the production of three of them are under suspension respectively due to unfavorable market sentiments in the commodity and metal markets in the past few years. Currently, only two mines located in Baoshan, Yunnan and Tongling, Anhui respectively are under normal operation. The main products of which are zinc, lead, copper, gold and stone for construction. As stated in the financial statements of the 2016 interim report, the nonferrous metal market remained challenging during the period due to the lingering uncertainties of the global economy. The Group faced an overall decline in the prices of various products. As a result, several mining subsidiaries were still under suspension and revenue of the Group remained at a relatively low level. In the second half year, despite the prices of some nonferrous metal products, including zinc and lead, increased at different levels, however, the slowdown in growth of the real estate and infrastructure investment in China led to a drop in both the price and quantity of stone for construction. As a result, the overall results of the Group are not benefited significantly because of the price increase in zinc and lead products.

Looking forward to the future, the Group will closely monitor and assess the overall trends of the market conditions of its related products and the specific conditions required to be invested in its production system update project for each mine, so as to prepare the production quantity plan (including the study of the feasibility of production resumption of certain mines under suspension) flexibly to capture market opportunities. On the other hand, the Group's strategy is to realize its potential processing capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. Furthermore, the Group strives to acquire projects with rich reserves, high quality, immense value-added potentials and quick cash flow returns, in order to allow the Group to further expand its scale of production, diversify into new profit streams and bring higher returns to shareholders.

4. INDEBTEDNESS

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group has outstanding borrowings of approximately RMB195.2 million, comprising unsecured corporate bonds with principal amount of approximately HK$169.0 million (equivalent to approximately RMB149.6 million); unsecured and unguaranteed amounts due to related companies of approximately RMB25.6 million and unsecured and guaranteed amount due to a related company of approximately RMB20.0 million. Jiangsu Yue Da Group Company Limited (''Jiangsu Yue Da'') has entered into a keepwell deed with the Company and the trustee of the corporate bonds, where Jiangsu Yue Da undertakes, amongst other things, to directly or indirectly own and hold not less than 30 per cent of the outstanding shares of the Company and to provide financial support to ensure that the Company has sufficient funds to meet its payment obligations under the relevant bonds.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 October 2016, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2016 (**"IH2016"**) including that,

(i) Revenue of the Group for IH2016 decreased by approximately 39% as compared with that for the six months ended 30 June 2015 (**"1H2015"**), which was mainly attributable to the lingering uncertainties of the global economy and a general decline in the prices of various products and as a result, several mining subsidiaries were still under suspension;

(ii) cost of sales of the Group for 1H2016 decreased by approximately 39% as compared with that for 1H2015, which was corresponding to the decrease in revenue during 1H2016;

(iii) impairment losses on assets of the Group for 1H2016 was nil as compared to that of approximately RMB68.09 million for 1H2015. The impairment losses for 1H2015 was mainly attributable to a suspension of operation of Tengchong Ruitu Mining and Technology Company Limited during that period; and

(iv) the loss and total comprehensive expenses of the Group of approximately RMB25 million for 1H2016 decreased by approximately 69% as compared to approximately RMB81.0 million for 1H2015, which mainly attributable to the decrease in impairment losses on assets as discussed above.

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and 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.

2. SHARE CAPITAL

(a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares) as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per Share	Number of Shares	Amount
	HK$		*HK$*
Authorised:			
As at the Latest Practicable Date	0.10	2,000,000,000	200,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.10	918,626,516	91,862,651.60

(ii) *Share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares)*

	Nominal value per Share	Number of Shares	Amount
	HK$		*HK$*
Authorised:			
As at the Latest Practicable Date	0.10	2,000,000,000	200,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.10	918,626,516	91,862,651.60
Subscription Shares to be issued pursuant to the Subscription	0.10	250,000,000	25,000,000.00
Shares in issue upon Completion	0.10	1,168,626,516	116,862,651.60

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

No Share has been issued since 31 December 2015 (being the date on which the latest audited financial statement of the Company were made up) and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

(b) Share options

As at the Latest Practicable Date, the Company has the following Outstanding Options:

Name or category of participant	Date of grant	Exercisable period	Exercise price per Share	Number of Outstanding Options as at the Latest Practicable Date
Directors of the Company	27th May, 2009	28th May, 2009 – 26th May, 2019	0.854	434,393
	9th July, 2009	9th July, 2009 – 24th May, 2018	0.854	2,270,014
	30th January, 2012	1st April, 2012 – 29th January, 2017	0.5503	1,719,144
	30th January, 2012	1st April, 2013 – 29th January, 2017	0.5503	1,289,358
	30th January, 2012	1st April, 2014 – 29th January, 2017	0.5503	1,289,358
				7,002,267
Other eligible persons	27th May, 2009	28th May, 2009 – 26th May, 2019	0.854	2,656,012
	9th July, 2009	9th July, 2009 – 24th May, 2018	0.854	3,351,039
	19th April, 2010	20th April, 2010 – 19th April, 2020	1.617	1,804,040
	19th April, 2010	20th April, 2011 – 19th April, 2020	1.617	159,180
	19th April, 2010	20th April, 2012 – 19th April, 2020	1.617	159,180
	30th January, 2012	1st April, 2012 – 29th January, 2017	0.5503	6,133,737
	30th January, 2012	1st April, 2013 – 29th January, 2017	0.5503	4,600,302
	30th January, 2012	1st April, 2014 – 29th January, 2017	0.5503	4,600,302
	23rd January, 2014	upon fulfilment of certain conditions – 22nd January, 2017	0.445	9,000,000
				32,463,792
Total				39,466,059

As at the Latest Practicable Date, save for the Outstanding Options as disclosed above, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

3. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on 10 November 2016 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
31 May 2016	0.340
30 June 2016	0.330
29 July 2016	0.320
31 August 2016	0.290
30 September 2016	0.280
31 October 2016	0.285
10 November 2016 *(being the Last Trading Day)*	0.290
30 November 2016	0.360
5 December 2016 *(being the Latest Practicable Date)*	0.365

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.38 on 25 November 2016 and HK$0.255 on 22 August 2016, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates nor supervisors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and shares, underlying shares and debentures of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

Name	Name of the Company/ associated corporation	Capacity	Number of ordinary shares *(note i)*	Approximate percentage of issued share capital of the Company *(note ii)*	Number of options granted and underlying shares
Hu Huaimin	The Company	Beneficial Owner	3,901,536 (L)	0.43%	434,394 *(note iii)*
	The Company	Beneficial Owner	–	–	744,676 *(note iv)*
	The Company	Beneficial Owner	–	–	636,720 *(note v)*
	The Company	Beneficial Owner	–	–	477,540 *(note vi)*
	The Company	Beneficial Owner	–	–	477,540 *(note vii)*
Bai Zhaoxiang	The Company	Beneficial Owner	2,213,281 (L)	0.24%	780,661 *(note iii)*
	The Company	Beneficial Owner	–	–	573,048 *(note v)*
	The Company	Beneficial Owner	–	–	429,786 *(note vi)*
	The Company	Beneficial Owner	–	–	429,786 *(note vii)*
Qi Guangya	The Company	Beneficial Owner	2,018,116 (L)	0.22%	744,676 *(note iv)*
	The Company	Beneficial Owner	–	–	509,376 *(note v)*
	The Company	Beneficial Owner	–	–	382,032 *(note vi)*
	The Company	Beneficial Owner	–	–	382,032 *(note vii)*

Notes:

i. The letter "L" represents the Director's long position in the ordinary shares of the Company.

ii. The percentage of issued share capital of the Company is calculated by reference to 918,626,516 Shares in issue as at Latest Practicable Date.

iii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 27th May, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 28th May, 2009 to 26th May, 2019.

iv. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 9th July, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 9th July, 2009 to 24th May, 2018.

v. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2012 to 29th January, 2017.

vi. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Director on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2013 to 29th January, 2017.

vii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Director on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2014 to 29th January, 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or to be entered in the register maintained by the Company under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or 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.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, substantial shareholders' interests or short positions in the shares, underlying shares or debentures of the Company, other than the Directors, which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name	Name of the company/ associated corporation	Capacity	Number of issued ordinary shares held *(note i)*	Percentage of the issued share capital of the Company *(note ii)*
Yue Da Group (H.K.) Co., Limited ("Yue Da HK")	The Company	Beneficial owner	407,241,333	44.33%
Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") *(note iii)*	The Company	Interest of a controlled corporation	407,241,333	44.33%

Notes:

(i) The letter "L" represents the entity's long positions in the shares.

(ii) The percentage of issued share capital of the Company is calculated by reference to 918,626,516 shares in issue as at the Latest Practicable Date.

(iii) Jiangsu Yue Da holds 100% interests in Yue Da HK and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da HK under the SFO.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH IT AND OTHER ARRANGEMENT

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities (“**Relevant Securities**”) in any member of the Subscriber and parties acting in concert with it and it had not dealt for value in any such securities of any member of the Subscriber and parties acting in concert with it during the Relevant Period;

(b) save as disclosed under the paragraph headed “Interests of Directors and chief executive” in this appendix, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of the Subscriber and parties acting in concert with it or any Relevant Securities in the Company and none of them had dealt for value in any such securities of any member of the Subscriber and parties acting in concert with it or any such securities of the Company during the Relevant Period;

(c) No Relevant Securities of the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by an advisor to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders), and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement and the transactions contemplated thereunder, no other arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;

(e) No Relevant Securities of the Company was managed on a discretionary basis by any fund manager (other than exempt fund managers as defined in the Takeovers Code) connected with the Company and none of them had dealt for value in any such securities of the Company during the Relevant Period;

(f) save as disclosed under the paragraph headed "Interests of Directors and chief executive" in this appendix, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(g) Save as disclosed in the paragraph headed "EGM" in the letter from the Board in this circular, no person will be abstained from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save for each of Mr. Hu Huaimin, Mr. Qi Guangya and Mr. Bai Zhaoxiang who will be abstained from voting at the EGM, no other Directors held any Shares as at the Latest Practicable Date and therefore no other Directors are required to indicate to vote for or against the resolutions in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver;

(h) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver at the EGM;

(i) neither the Company nor any of the Directors has borrowed or lent any Shares and any Relevant Securities in the Company;

(j) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder;

(k) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder or otherwise connected with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder;

(l) save for the Subscription Agreement and the transactions contemplated thereunder, there was no material contract entered into by the Subscriber in which any Director had a material personal interest; and

(m) there were no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, save as disclosed under the paragraph headed "Changes in the shareholding of the Company" in the letter from the Board in this circular and the paragraphs headed "Share capital" and "Disclosure of interest" in this appendix:

(a) Save for 2,018,116 Outstanding Options held by Mr. Qi Guangya, a non-executive Director, none of the Subscriber and parties acting in concert with it owned or controlled any Relevant Securities in the Company as at the Latest Practicable Date;

(b) the Subscriber or parties acting in concert with it did not borrow or lend any Shares during the Relevant Period;

(c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber and parties acting in concert with it during the Relevant Period;

(d) none of the Subscriber and parties acting in concert with it has received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver during the Relevant Period; and

(e) none of the Subscriber and parties acting in concert with it has dealt for value in any Relevant Securities in the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares to be acquired by the Subscriber and parties acting in concert with it pursuant to the Subscription Agreement will be transferred, charged or pledged to any other person. As at the Latest Practicable Date, there was no agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights in such Shares.

If the Whitewash Waiver is approved by the Independent Shareholders, the potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. The Subscriber may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. Further, the Subscriber does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after Completion.

6. SERVICE CONTRACTS

There is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries 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 the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
Amasse Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Somerley Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts named above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding 11 November 2016 and up to and including the Latest Practicable Date of this circular and are or may be material:

(i) Settlement agreement dated 9 October 2015 entered into between New Aims, Everwise, I-Treasure, Mineral Land and YDM in relation to the settlement of legal proceedings between the parties thereto;

(ii) disposal agreement dated 2 June 2015 entered into between Yue Da Mining Limited (as vendor) and an independent third party (as a purchaser) in relation to the disposal of 49% interest in each of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited at an aggregate consideration of RMB39,000,000; please see announcement of the Company dated 2 June 2015 for more details;

(iii) 6% coupon corporate bond instrument dated 11 March 2015 in the aggregate maximum principal amount of up to HK$300,000,000; please see announcement of the Company dated 11 March 2015 for more details;

(iv) the Subscription Agreement.

10. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2015 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

11. MISCELLANEOUS

(a) The principal place of business of the Company in Hong Kong is situated at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong. The registered office of the Company in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands;

(b) The branch share registrar and transfer office of the Company is Hong Kong Registrars Limited and situated at shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;

(c) The secretary of the Company is Mr. Shum Chi Chung, a fellow member of the Hong Kong Institute of Certified Public Accountants;

(d) The address of the Subscriber is Office Nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong;

(e) The financial adviser to the Company is Amasse Capital Limited and its registered office is situated at Room 1201, Prosperous Building, 48-52 Des Voeus Road Central, Hong Kong;

(f) The Independent Financial Adviser is Somerley Capital Limited and its registered office is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong;

(g) The directors of the Subscriber are Mr. Wang Lian Chun, Mr. Mao Naihe, Mr. Wang Quan Wu, Mr. Guo Ru Dong and Mr. Pan Wan Qu;

(h) The directors of Jiangsu Yue Da are Mr. Wang Lian Chun, Mr. Qi Guangya, Mr. Xu Zhao Jun, Mr. Yang Yu Qing, Mr. Jie Zi Sheng, Mr. Lin Xun Long, Ms. Zeng Wei, Mr. Tang Ru Jun and Mr. Mao Dao Liang; and

(i) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 6:00 p.m.) at the principal place of business of the Company in Hong Kong situated at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on any Business Days from the date of this circular up to and including the date of the EGM and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.yueda.com from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the memorandum of association and articles of association of the Subscriber;

(c) the annual reports of the Company for the last two financial years ended 31 December 2014 and 2015 respectively;

(d) the interim report of the Company for the six months ended 30 June 2016;

(e) this circular;

(f) the letter from the Board, the text of which is set out on pages 5 to14 of this circular;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;

(h) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 44 of this circular;

(i) the written consents as referred to in the paragraph headed "EXPERTS AND CONSENTS" in this appendix;

(j) the material contracts as referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix; and

(k) the Subscription Agreement.

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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (**"Extraordinary General Meeting"**) of Yue Da Mining Holdings Limited (**"Company"**) will be held at Office Nos. 3321-3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on Friday, 23 December 2016 at 10:00 a.m. to consider and, if thought fit, transact the following business:

ORDINARY RESOLUTIONS

1. "**THAT** subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 11 November 2016 (the **"Subscription Agreement**", copy of which have been produced to this meeting marked "A" and initialled by the Chairman for the purpose of identification) entered into between the Company and Yue Da Group (H.K.) Co., Limited for the subscription of 250,000,000 new shares of the Company (the **"Subscription Shares"**) at the subscription price of HK$0.38 per Subscription Share (the **"Subscription Price"**):

   i. the Subscription Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

   ii. all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate of allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement, be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement;

   iii. any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder."

2. "**THAT**, subject to the granting of the Whitewash Waiver by the Executive and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, be and is hereby approved, and that any one or more of the Directors be and is/are authorised to do all such acts and things and execute all such document as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

By Order of the Board
Yue Da Mining Holdings Limited
Hu Huaimin
Executive Director and Chief Executive

Hong Kong, 7 December 2016

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. 3321-3325
33/F, China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Hong Kong

Notes:

1. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time of the Extraordinary General Meeting or any adjournment thereof.

2. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the Extraordinary General Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the Board comprises the following members: (a) as non-executive Directors, Mr. Wang Lian Chun and Mr. Qi Guangya; (b) as executive Directors, Mr. Mao Naihe, Mr. Hu Huaimin and Mr. Bai Zhaoxiang; and (c) as independent non-executive Directors, Mr. Cui Shu Ming, Dr. Liu Yongping and Mr. Cheung Ting Kee.