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**YUE DA MINING HOLDINGS LIMITED**  
**悦達礦業控股有限公司**

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

**(stock code: 629)**

**CONTINUING CONNECTED TRANSACTIONS**

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On 14 December 2010, Yuechuan JV, a non-wholly owned subsidiary of the Company, and Pingchuan Iron Mining Company, a substantial shareholder of Yuechuan JV entered into the Agreement, pursuant to which Yuechuan JV has agreed to purchase iron ores from Pingchuan Iron Mining Company on an ongoing basis.

As Pingchuan Iron Mining Company is a Connected Person of the Company, the Transactions constitute continuing connected transactions of the Company.

Based on the estimated transaction value for the period from the Effective Date of the Agreement to 31 December 2010, all the relevant percentage ratios for the annual value of Transactions for the period up to 31 December 2010 are less than 5%. Accordingly, therefore pursuant to Rule 14A.34 of the Listing Rules, the Transactions for the period up to 31 December 2010 are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the two years ending 31 December 2012, as one or more of the applicable percentage ratios (other than the profits ratio) calculated under the Listing Rules with reference to the proposed Annual Caps for the Transactions exceed 5%, the Transactions for the two years ending 31 December 2012 are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Transactions for the two years ending 31 December 2012 and the proposed Annual Caps at the EGM.

**GENERAL**

A circular containing, inter alia, further information in respect of the Agreement as required under the Listing Rules (including a letter from the Independent Board Committee and a letter from the independent financial adviser of the Company) and a notice convening the EGM is planned to be issued and despatched to the Shareholders in accordance with the Listing Rules on or before 5 January 2011.

## **THE AGREEMENT**

Date: 14 December 2010

Parties: (1) Pingchuan Iron Mining Company as supplier; and  
(2) Yuechuan JV, a non-wholly owned subsidiary of the Company, as purchaser.

Pursuant to the Agreement, Yuechuan JV agrees to purchase iron ores from Pingchuan Iron Mining Company on an ongoing basis. Other principal terms of the Agreement are set out below:

- (i) The initial term of the Agreement is from the Effective Date to 31 December 2012; and the term of the Agreement may be renewed upon further agreement by the parties (subject to compliance with the Listing Rules).
- (ii) The purchase of iron ores by Yuechuan JV from Pingchuan Iron Mining Company shall be on terms similar to those of Pingchuan Iron Mining Company supplying to other independent third parties.
- (iii) Yuechuan JV shall make payment to Pingchuan Iron Mining Company in full in cash or by bank draft not less than two weeks before delivery of iron ores by Pingchuan Iron Mining Company.
- (iv) The types of iron ores to be purchased by Yuechuan JV shall be standard lump ore, fine ore, refined iron ore and iron ores related products.

The Company will comply with the relevant Listing Rules requirements if and when the term of the Agreement is renewed or when there is any material change to the terms of the Agreement.

### **Connected Person**

Pingchuan Iron Mining Company is a state-owned enterprise under the purview of Yanyuan People's Government. Pingchuan Iron Mining Company is principally engaged in iron ore mining. Yuechuan JV is owned as to 49% by Yue Da-HK (which in turn is a wholly owned subsidiary of the Company) and 51% by Pingchuan Iron Mining Company. Yue Da-HK has the right to appoint a majority of the board of directors of Yuechuan JV and accordingly Yuechuan JV is regarded as a non-wholly owned subsidiary of the Company. As Pingchuan Iron Mining Company is a substantial shareholder of Yuechuan JV, it is a Connected Person of the Company.

### **Historical and existing transactions**

Yuechuan JV was formed in July 2010 and prior to the signing of the Agreement, Yuechuan JV and the Group did not have any transactions with Pingchuan Iron Mining Company in relation to the purchase of iron ores.

It is expected that the value of the Transactions for the period from the Effective Date of the Agreement to 31 December 2010 would not exceed RMB10 million.

## **Proposed Annual Caps**

It is proposed that the Annual Caps for the purchase of iron ores by Yuechuan JV from Pingchuan Iron Mining Company for the two years ending 31 December 2012 shall be RMB200,000,000 and RMB200,000,000 respectively.

## **Basis of the proposed Annual Caps**

The proposed Annual Caps for the two years ending 31 December 2012 are determined with reference to the business plan of Yuechuan JV and the resources expected to be allocated by Yuechuan JV to this business segment, the anticipated amount of iron ores to be sold by Yuechuan JV to third parties, the current selling price of iron ores by Pingchuan Iron Mining Company to independent third parties and the market conditions of iron ores.

On such basis, for each year ending 31 December 2011 and ending 31 December 2012, (i) the average price of standard lump ore and fine ore is estimated to be approximately RMB750 per ton and the maximum annual quantity of standard lump ore and fine ore to be purchased by Yuechuan JV is estimated to be approximately 150,000 tons, which represent a total estimated value of RMB112,500,000 of standard lump ore and fine ore to be purchased annually; and (ii) the average price of refined iron ore is estimated to be approximately RMB980 per ton and the maximum annual quantity of refined iron ore to be purchased by Yuechuan JV is estimated to be approximately 70,000 tons, which represent a total estimated value of RMB68,600,000 of refined iron ore to be purchased annually. Accordingly, the proposed Annual Caps for each of the two years ending 31 December 2012 are RMB200,000,000 and RMB200,000,000 respectively.

## **REASONS FOR ENTERING INTO THE AGREEMENT**

The principal activities of the Group consist of exploration, mining, processing and sale of zinc, lead, iron and gold ore, and the management and operation of a toll highway. The business scope of Yuechuan JV is the exploration of black and nonferrous metals and the purchase and sale of mineral products (including iron, lead and zinc). It is contemplated that when Yuechuan JV identifies potential buyers for iron ores agreed to be supplied by Pingchuan Iron Mining Company under the Agreement, it will then acquire such ores from Pingchuan Iron Mining Company and will on-sell such ores to its customer(s) at a higher price.

It is expected that the sales of iron ores by Yuechuan JV will not only provide an additional source of revenue for the Group but will also fit into the business strategy of the Group in fully utilizing the Group's resources and raw materials.

The Directors (excluding the independent non-executive Directors whose views will be formed after obtaining the advice of the independent financial adviser) consider that:

- (a) the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable;
- (b) the proposed Annual Caps for the two years ending 31 December 2012 as referred to above are fair and reasonable; and
- (c) the Transactions will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The Transactions are transactions on normal commercial terms and in the ordinary course of businesses of the Group.

Based on the estimated transaction value for the period from the Effective Date of the Agreement to 31 December 2010, the relevant percentage ratios for the annual value of Transactions for the period up to 31 December 2010 are less than 5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the Transactions for the period up to 31 December 2010 are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the two years ending 31 December 2012, as one or more of the applicable percentage ratios (other than the profits ratio) calculated under the Listing Rules with reference to the proposed Annual Caps for the Transactions exceed 5%, the Transactions for each of the two years ending 31 December 2012 constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Transactions for the two years ending 31 December 2012 and the Annual Caps at the EGM. Pingchuan Iron Mining Company and its associates will abstain from voting on the resolutions approving the Transactions for the two years ending 31 December 2012 and the Annual Caps which will be proposed at the EGM. As at the date of this announcement, Pingchuan Iron Mining Company does not hold any Shares in the Company. To the best knowledge, information and belief of the Directors, none of the persons who are required to abstain from voting at the EGM is holding any Shares in the Company as at the date of this announcement.

The Company has established an Independent Board Committee (which comprises only and all the independent non-executive Directors) to advise the Independent Shareholders as to, among other matters, whether the proposed Annual Caps are fair and reasonable, in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM taking into account the recommendation of the independent financial adviser.

### **EGM**

A circular containing, inter alia, further information of the Agreement as required under the Listing Rules (including the advice and recommendation of the Independent Board Committee and the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders), together with a notice convening the EGM is planned to be despatched to the Shareholders on or before 5 January 2011 in accordance with the Listing Rules.

## DEFINITIONS

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

“Agreement”	the sale and purchase agreement of iron ores dated 14 December 2010 and entered into between Pingchuan Iron Mining Company as supplier and Yuechuan JV as purchaser
“Annual Caps”	the annual caps for the Transactions for the two years ending 31 December 2012
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Yue Da Mining Holdings Limited 悦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 main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	14 December 2010
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Transactions for the two years ending 31 December 2012 and the Annual Caps by the Independent Shareholders
“Group”	collectively, the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Board committee comprising all the independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to the Transactions and the Annual Caps
“Independent Shareholders”	Shareholders other than Pingchuan Iron Mining Company and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pingchuan Iron Mining Company”	四川省鹽源縣平川鐵礦 (Sichuan Province Yanyuan County Pingchuan Iron Mine*), a state-owned enterprise under the purview of Yanyuan People’s Government, holder of 51% equity interest in Yuechuan JV
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	The transactions contemplated under the Agreement
“Yanyuan People’s Government”	四川省鹽源縣人民政府 (The People’s Government of Yanyuan County, Sichuan Province, the PRC*)
“Yuechuan JV”	涼山州悅川礦業有限責任公司 (Liangshan Prefecture Yuechuan Mining Co., Limited*), a limited liability company incorporated in the PRC and which is owned as to 49% by Yue Da-HK and 51% by Pingchuan Iron Mining Company
“Yue Da-HK”	Yue Da Pingchuan Limited 悅達平川有限公司, a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company
“%”	per cent.

\* *Unofficial transliteration from Chinese name(s) for identification purposes only*

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

Hong Kong, 14 December 2010

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