
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.

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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)

**1. MAJOR TRANSACTION:
PROPOSED INVESTMENT IN
A VIETNAM JOINT VENTURE
COMPANY BY SUBSCRIPTION OF
SHARES AND ADVANCE OF LOAN; AND
2. NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at office nos. 3321–3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on Monday, 6 May 2013 at 10:00 a.m is set out on pages 101 to 103 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.

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DEFINITIONS

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

“Additional DL Mines”	any ilmenite, zircon, rutile and monazite ores deposits located in the Binh Thuan Province of Vietnam to be acquired by Duong Lam to supplement any shortfall of JORC-compliant Reserves in respect of the Initial Target Mines
“Additional Mining Licence(s)”	the exploration, mining and/or exploitation licence(s) to be issued by Ministry of Natural Resources and Environment of Vietnam and to be held by Slag Factory in respect of the Additional Target Mine(s) and the right to conduct exploration (and, where applicable, exploitation) work for the Additional Reserves exclusively pursuant to the relevant laws in Vietnam
“Additional Reserves”	the ilmenite, zircon, rutile and monazite ore reserves in the Additional Target Mine(s)
“Additional Target Mine(s)”	any ilmenite, zircon, rutile and monazite ores deposits located in the Binh Thuan Province of Vietnam with aggregate Additional Reserves not less than 8 million metric tons, the Additional Mining Licence in respect of which is to be held by Slag Factory
“Board”	the board of Directors
“Business Registration Certificate”	the business/enterprise registration certificate issued by the Department of Planning and Investment of Binh Thuan Province, Vietnam to Slag Factory, allowing Slag Factory to conduct business with the contents stated in, amongst others, the SF JV Agreement and the constituent documents of Slag Factory
“BVI”	British Virgin Islands
“Call Option”	an option granted by Solid Success to YDM pursuant to the Call Option Deed to purchase from Solid Success the Option Shares and the ML Shareholder’s Loan at not more than the Option Share Price at any time within one year from the date of the Call Option Deed
“Call Option Deed”	a deed dated 21 January 2013 and executed by Solid Success in favour of YDM pursuant to which Solid Success has granted the Call Option to YDM pursuant to the terms therein
“Cash Consideration”	has such meaning as defined under the paragraph headed “Option Share Price” in this circular

DEFINITIONS

“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
“Completion Accounts”	the audited consolidated balance sheet and the audited consolidated profit and loss account of the Target Group made up as at the close of business on the date of Option Acquisition Completion and from the date as determined by the Company in the ML SP Agreement to the date of Option Acquisition Completion
“Date of Execution”	the date of execution of the ML SP Agreement
“Director(s)”	director(s) of the Company
“DL Deposit”	has such meaning as defined under the paragraph headed “Charter capital of Slag Factory” in this circular
“DL Investment Certificates”	the two investment certificates both issued by Binh Thuan Province People’s Committee in Vietnam to Duong Lam and dated 16 December 2010, approving the investment in mining projects in relation to the Target Mines
“DL Selling Shareholders”	two individuals (being Independent Third Parties) who held 15% and 10% charter capital in Duong Lam respectively as at the Latest Practicable Date
“Duong Lam”	Duong Lam Joint Stock Company, a company incorporated in Vietnam which was owned as to 39.5% by TVQ, 15% and 10% by the DL Selling Shareholders respectively and 35.5% by another Independent Third Party (namely, Pham Dac Dat) as at the Latest Practicable Date
“Duong Lam SP Agreement”	the agreement dated 18 January 2013 and made between Mineral Land (as purchaser) and TVQ (as vendor, as authorised by the DL Selling Shareholders) in respect of the sale and purchase of 60% of the charter capital in Duong Lam
“Earnouts”	collectively, the Tranche 1 Earnout and the Tranche 2 Earnout
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this circular
“Enlarged Group”	the Group immediately after the Subscription Completion

DEFINITIONS

“Establishment Date”	the date of establishment of Slag Factory, which will be the date of issue of the Business Registration Certificate to Slag Factory
“Everwise”	Everwise Technology Limited, a company incorporated in the BVI which is wholly owned by New Aims as at the Latest Practicable Date
“Everwise Group”	collectively, Everwise and i-Treasure
“Everwise Shares”	the ordinary shares in the entire issued share capital of Everwise
“Exploration Licences”	two exploration licences both issued by the Ministry of Natural Resources and Environment of Vietnam to Duong Lam and dated 10 January 2006
“Excavating Capacity”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (E) Payment of the Tranche 1 Earnout” in this circular
“Facility”	the facility up to an amount of US\$16 million under the Loan Agreement
“First Deposit”	has such meaning as defined under the paragraph headed “Subscription Price payable by YDM” in this circular
“First Drawing”	the first drawing of the principal amount of US\$4 million under the Loan Agreement
“Four-Year Period”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (D) Compensation in case of the Reserves being less than 1.5 million metric tons” in this circular
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“i-Treasure”	i-Treasure Investments Limited, a company incorporated in the BVI, which is wholly owned by Everwise as at the Latest Practicable Date
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial Shareholders of the Company or any of its subsidiaries or their respective associates

DEFINITIONS

“Initial Charter Capital”	the initial charter capital of Slag Factory at the Establishment Date being VND200 billion (which is equivalent to about US\$10 million)
“IT Deposit”	has such meaning as defined under the paragraph headed “Charter capital of Slag Factory” in this circular
“I3PA”	an individual and an Independent Third Party as at the Latest Practicable Date, who is the ultimate beneficial owner of each of New Aims, Everwise, i-Treasure, Solid Success and Mineral Land as at the Latest Practicable Date
“I3PB”	an individual and an Independent Third Party, who is the introducing party to the Company of the Project Investment and an adviser to the proposed management of Slag Factory
“Joint Bank Account”	has such meaning as defined under the paragraph headed “Subscription Price payable by YDM” in this circular
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
“JORC-compliant”	in respect of quantity or other information on Reserves (falling under the category of proven and/or probable) stated in a report on resources, reserves or exploration results, and such report is prepared in compliance with the JORC Code
“Latest Practicable Date”	12 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	aggregate principal amount of drawings advanced or to be advanced by YDM to Mineral Land under the Loan Agreement
“Loan Agreement”	the Original Loan Agreement as supplemented by a supplemental agreement dated 8 February 2013 and made between Mineral Land (as borrower) and YDM (as Lender)
“Mineral Land”	Mineral Land Holdings Limited, a company incorporated in the BVI, which is wholly owned by Solid Success as at the Latest Practicable Date
“Mineral Land Group”	collectively, Mineral Land and Duong Lam

DEFINITIONS

“Mining Licence(s)”	the exploration, mining and/or exploitation licence(s) to be issued by the Ministry of Natural Resources and Environment of Vietnam and to be held by Duong Lam in respect of the Target Mines and the right to conduct exploration work for Reserves over the relevant Target Mines exclusively pursuant to the relevant laws of Vietnam
“ML Shareholder’s Loan”	all obligations, liabilities and debts owing or indebted from Mineral Land to Solid Success on or at any time prior to the Option Acquisition Completion, whether actual, contingent or deferred and irrespective of whether the same is due and payable on the Option Acquisition Completion
“ML SP Agreement”	a sale and purchase agreement to be entered into between YDM (as purchaser) and Solid Success (as vendor) in relation to the Option Shares and ML Shareholder’s Loan
“NA Subscription Shares”	an aggregate of 390 Everwise Shares to be allotted and issued to New Aims or its nominees by Everwise pursuant to the terms of the Subscription Agreement
“New Aims”	New Aims Holdings Limited, a company incorporated in the BVI, which is wholly owned by I3PA as at the Latest Practicable Date
“NTAV”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (C) Adjustment to the Cash Consideration based on net tangible asset value of the Target Group” in this circular
“NTAV Adjustment”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (C) Adjustment to the Cash Consideration based on net tangible asset value of the Target Group” in this circular
“Option Acquisition Completion”	completion of the acquisition of the Option Shares pursuant to the terms and conditions of the ML SP Agreement, if the Call Option Deed is exercised by YDM
“Option Completion Quantity”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (B) Adjustment to the Cash Consideration based on the Option Completion Quantity” in this circular
“Option Shares”	the entire issued shares in the capital of Mineral Land, which are beneficially owned by Solid Success

DEFINITIONS

“Option Share Price”	the amount payable by YDM for the Option Shares, which comprises the Cash Consideration and the Earnouts, calculated in accordance with the paragraphs “Option Share Price” and “Payment manner of and adjustment to the Option Share Price” in the section headed “Letter from the Board” in this circular
“Original Loan Agreement”	the loan agreement dated 21 January 2013 entered into between YDM (as lender) and Mineral Land (as borrower) in relation to a term loan facility up to US\$16 million
“Original Subscription Agreement”	the subscription agreement dated 21 January 2013 entered into between YDM (as subscriber), Everwise (as issuer) and New Aims (as subscriber and warrantor)
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Investment”	the proposed investment by the Company in the Proposed Project
“Proposed Project”	the proposed project to be implemented by Slag Factory as described in the paragraph headed “Purpose of Slag Factory” in the section of “Letter from the Board” of this circular
“Q2”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (F) Payment of the Tranche 2 Earnout” in this circular
“Relevant Quantity”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (D) Compensation in case of the Reserves being less than 1.5 million metric tons” in this circular
“Relevant Reserves Report”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (F) Payment of the Tranche 2 Earnout” in this circular
“Reserves”	the ilmenite, zircon, rutile and monazite ore reserves in the Target Mines
“RMB”	Renminbi, the lawful currency of the PRC
“Second Deposit”	has such meaning as defined under the paragraph headed “Subscription Price payable by YDM” in this circular
“Security Documents”	has such meaning as defined under the paragraph headed “Loan Agreement — Security/Collaterals” in this circular

DEFINITIONS

“SF Charter Capital”	the charter capital of Slag Factory being VND360 billion (which is equivalent to US\$18 million)
“SF Deposit”	collectively, the DL Deposit and IT Deposit
“SF Investment Certificate”	the investment certificate issued by the Department of Planning and Investment of Binh Thuan Province, Vietnam to Slag Factory, in addition to the Business Registration Certificate, allowing Slag Factory to implement the Proposed Project
“SF JV Agreement”	the joint venture agreement dated 18 January 2013 entered into between i-Treasure and Duong Lam in relation to the establishment of Slag Factory in accordance with the terms and conditions therein
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Slag Factory”	the limited liability company to be established in Vietnam with the proposed name of “Duong Lam Slag Factory Company Limited” and to be owned as to 30% by Duong Lam and 70% by i-Treasure in accordance with the terms of the SF JV Agreement
“Slag Factory Shortfall Compensation”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (G) Compensation in case of the Additional Reserves being less than 8 million metric tons” in this circular
“Solid Success”	Solid Success International Limited, a company incorporated in the BVI, which is wholly owned by I3PA as at the Latest Practicable Date
“SP Covenantors”	collectively, Solid Success, TVQ and I3PB
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the Original Subscription Agreement as supplemented by a supplemental agreement dated 8 February 2013 and made by YDM, Everwise and New Aims
“Subscription Completion”	completion of the Subscription Agreement in accordance with the terms therein
“Subscription Deposit”	collectively, the First Deposit and the Second Deposit

DEFINITIONS

“Subscription Price”	US\$6 million, being the aggregate subscription price payable by YDM for the subscription of the YDM Subscription Shares
“Subscription Shares”	the NA Subscription Shares and YDM Subscription Shares
“Target Group”	collectively, the Everwise Group, Mineral Group and (upon establishment) Slag Factory
“Target Mines” or “Initial Target Mines” (each a “Target Mine” or an “Initial Target Mine”)	collectively: (i) an ilmenite, zircon, rutile and monazite ore mine with a site area of 83 hectares located at Phong Phu Village and Chi Cong Village, Tuy Phong District, Binh Thuan Province, Vietnam; and (ii) an ilmenite, zircon, rutile and monazite ores mine with a site area of 88 hectares located at Phan Hiep Village and Phan Ri Thanh Village, Bac Binh District, Binh Thuan Province, Vietnam, the Mining Licences in respect of both of which are to be held by Duong Lam
“Tranche 1 Earnout”	has such meaning as defined under the paragraph headed “Option Share Price” in this circular, which, in any event, shall not exceed US\$15.6 million
“Tranche 1 Earnout Payment Conditions”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (E) Payment of the Tranche 1 Earnout” in this circular
“Tranche 2 Earnout”	has such meaning as defined under the paragraph headed “Option Share Price” in this circular, which, in any event, shall not exceed US\$10.4 million
“Tranche 2 Earnout Payment Conditions”	has such meaning as defined under the paragraph headed “Payment manner of and adjustment to the Option Share Price — (F) Payment of the Tranche 2 Earnout” in this circular
“Transaction Documents”	collectively, the Subscription Agreement, the Loan Agreement, the Call Option Deed, the SF JV Agreement and the Duong Lam SP Agreement

DEFINITIONS

“TVQ”	Mr Tran Van Quan, a Vietnamese individual and an Independent Third Party who is one of the current shareholders of Duong Lam as at the Latest Practicable Date and who will (immediately after the Option Acquisition Completion) continue to hold 4.5% charter capital in Duong Lam
“US\$”	United States Dollars, the lawful currency of the United States of America
“Vietnam”	the Socialist Republic of Vietnam
“Vietnamese Government’s Standards”	the standards of the quality of mineral ores for export in accordance with national industrial standards of Vietnam
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“YDM”	Yue Da Mining Limited (悦達礦業有限公司), a company incorporated in the BVI and a direct wholly owned subsidiary of the Company
“YDM Subscription Shares”	an aggregate of 600 Everwise Shares to be allotted and issued to YDM or its nominees by Everwise pursuant to the terms of the Subscription Agreement
“%”	per cent.

* *for identification purpose only*

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Hong Kong dollars, VND and US\$ have been translated, for the purpose of illustration only, into Renminbi in this circular at the following rates:

RMB1.00 = HK\$1.25

RMB1.00 = US\$0.16

RMB1.00 = VND3250

No representation is made that any amounts in Renminbi, US\$, VND or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.



YUE DA MINING HOLDINGS LIMITED

悦達礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 629)

Executive Directors:

Mr Dong Li Yong
Mr Liu Xiaoguang
Mr Hu Huaimin

Non-executive Directors:

Mr Chen Yunhua
Mr Qi Guang Ya

Independent non-executive Directors:

Ms Leung Mei Han
Mr Cui Shuming
Mr Han Run Sheng
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Central
Hong Kong

17 April 2013

To the Shareholders

Dear Sir or Madam

**1. MAJOR TRANSACTION:
PROPOSED INVESTMENT IN
A VIETNAM JOINT VENTURE
COMPANY BY SUBSCRIPTION OF
SHARES AND ADVANCE OF LOAN; AND
2. NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

As disclosed in the announcement of the Company dated 21 January 2013, the Company proposes to make investment in the Target Group for the acquisition of interest in a Vietnamese company (namely, Slag Factory) which in turn will establish a factory for the purpose of the Proposed Project. The principal activities of Slag Factory will be the processing and exporting of titanium slags in Vietnam.

LETTER FROM THE BOARD

On 18 January 2013, i-Treasure and Duong Lam (both being Independent Third Parties at the relevant time) entered into the SF JV Agreement, pursuant to which the parties agreed to establish Slag Factory in accordance with the terms and conditions therein.

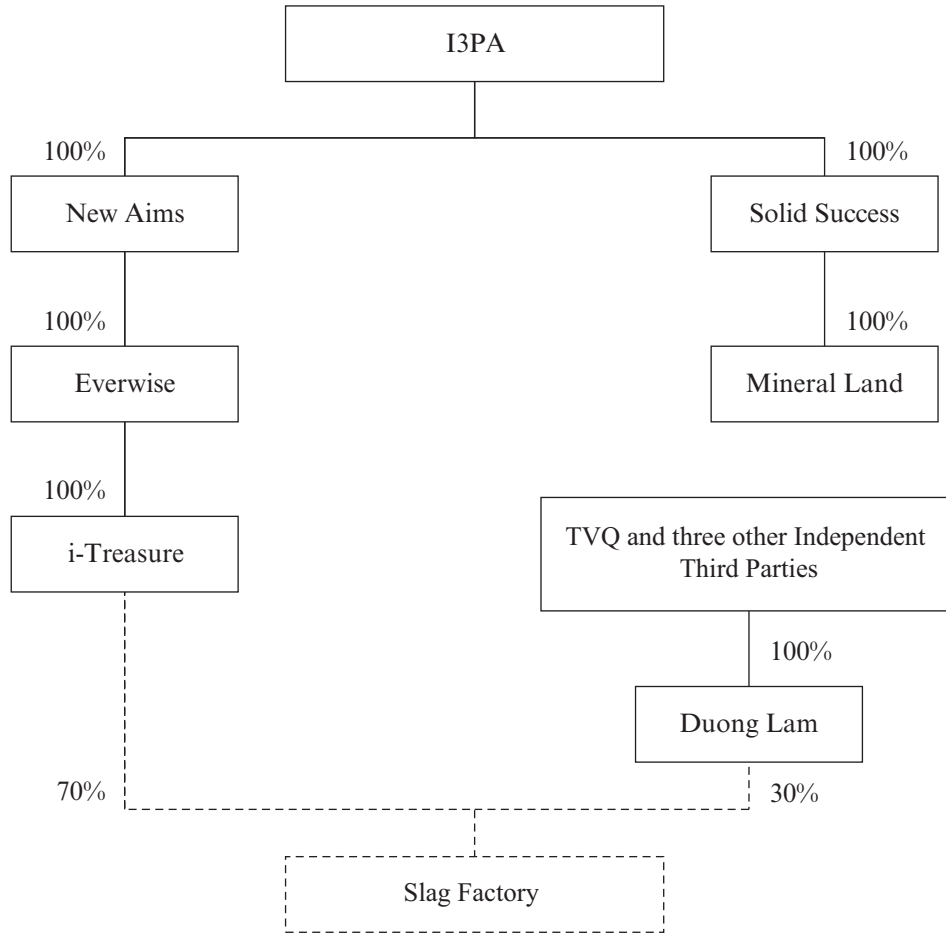
On 21 January 2013 (after trading hours), YDM (being a wholly owned subsidiary of the Company) entered into (i) the Original Subscription Agreement; (ii) the Original Loan Agreement; and (iii) the Call Option Deed for the purpose of making its investment in the Proposed Project (“**Proposed Investment**”).

On 8 February 2013, YDM, Everwise and New Aims entered into a supplemental agreement to the Original Subscription Agreement, pursuant to which the manner of payment of the Subscription Deposit has been revised from that YDM shall pay the Subscription Deposit to Everwise on or before 31 January 2013 (please refer to the Company’s announcement dated 21 January 2013) to that as disclosed below in the paragraph headed “Subscription Price payable by YDM”. Further, on 8 February 2013, YDM and Mineral Land entered into a supplemental agreement to the Original Loan Agreement, pursuant to which (i) the availability period of the facility under the Loan Agreement has been changed from 60 calendar days commencing from the date of the Loan Agreement to 30 June 2013; (ii) the last date for YDM to advance the second drawing to Mineral Land (subject to the fulfillment of the relevant conditions) has been changed from 31 January 2013 to 4 February 2013; and (iii) the remaining balance of the facility under the Loan Agreement shall, apart from being subject to the conditions set out in the paragraph headed under “Conditions precedent for the drawdown of the remaining balance”, only be available after the later of the date of EGM and 25 March 2013. Save as disclosed above, there has been no other change to any of the Transaction Documents up to the Latest Practicable Date.

This purpose of this circular is to provide you with (i) the details of the Proposed Investment in the Proposed Project, the Transaction Documents and the transactions contemplated thereunder; and (ii) the notice of EGM.

LETTER FROM THE BOARD

The following corporate chart depicts the shareholding structure of the Target Group as at the Latest Practicable Date:



Notes:

- (1) Under the SF JV Agreement, Slag Factory has been agreed to be established upon the issue of the Business Registration Certificate which is expected to be available in around first half of 2013.
- (2) On 18 January 2013, Mineral Land (as purchaser) and TVQ (as vendor, who is an individual) entered into the Duong Lam SP Agreement, pursuant to which Mineral Land agreed to purchase and TVQ (as authorised by the DL Selling Shareholders) agreed to sell 60% charter capital in Duong Lam. Completion of the Duong Lam SP Agreement will take place simultaneously with Option Acquisition Completion. On the said date (i.e. 18 January 2013), the DL Selling Shareholders held an aggregate of 25% charter capital in Duong Lam. By an authorisation agreement made by the DL Selling Shareholders dated 18 January 2013, TVQ has been nominated and authorised to enter into the Duong Lam SP Agreement to sell their 25% charter capital (together with TVQ's 35% charter capital in Duong Lam) on their behalf. The authorisation agreement was made for administrative convenience. As advised by the Company's Vietnam legal advisers, such arrangement does not violate any laws in Vietnam and the Duong Lam SP Agreement is legally binding to and enforceable on the parties thereto under the laws of Vietnam.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

Date

21 January 2013 (as supplemented by a supplemental agreement dated 8 February 2013)

Parties

- (a) YDM as subscriber;
- (b) Everwise, a wholly owned subsidiary of New Aims; and
- (c) New Aims as subscriber and warrantor.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiry, Everwise, New Aims and its ultimate beneficial owner I3PA are Independent Third Parties. New Aims is a BVI company which is principally engaged in investment holding.

As at the Latest Practicable Date, Everwise has an authorised share capital of US\$50,000 divided into 50,000 shares, of which 10 shares have been issued and are fully paid up and beneficially owned by New Aims.

Subscription

Pursuant to the Subscription Agreement, upon Subscription Completion, (i) YDM shall subscribe the YDM Subscription Shares (representing 60% of the issued share capital in Everwise as enlarged by the issue of the Subscription Shares) at the Subscription Price (i.e. US\$6 million); and (ii) New Aims shall subscribe the NA Subscription Shares (together with the 10 Everwise Shares held by New Aims as at the Latest Practicable Date, representing 40% of the issued share capital in Everwise as enlarged by the issue of the Subscription Shares) at US\$4 million.

Subscription Price payable by YDM

The Subscription Price for the YDM Subscription Shares payable by YDM shall be US\$6 million.

Pursuant to the Subscription Agreement, YDM has agreed to pay an amount of US\$6 million being the Subscription Deposit (as defined below) to Everwise in the following manner:

- (a) YDM shall, on or before 4 February 2013, pay an amount of US\$3 million (the "**First Deposit**") to Everwise by transferring the same amount of money to a bank account jointly maintained by YDM and New Aims operated by joint signatories of the authorised representatives of each of YDM and New Aims ("**Joint Bank Account**"), provided that New Aims has transferred an amount of US\$2 million as deposit to the Joint Bank Account on or before 4 February 2013; and

LETTER FROM THE BOARD

- (b) YDM shall, on or before 30 June 2013, pay an amount of US\$3 million (the “**Second Deposit**”, together with the First Deposit as “**Subscription Deposit**”) to Everwise by transferring the same amount of money to the Joint Bank Account, provided that New Aims has transferred an amount of US\$2 million as deposit to the Joint Bank Account on or before the earlier of (i) the date of Subscription Completion; and (ii) 30 June 2013.

The First Deposit was paid on 4 February 2013.

If the Subscription Agreement is rescinded or otherwise terminated in accordance with its terms and conditions, then (without prejudice to any other remedies available to any party thereto) the Subscription Deposit in its entirety shall be repaid to YDM (and New Aims shall procure such repayment) within seven business days from the date of lapse or termination of the Subscription Agreement.

Upon Subscription Completion, Everwise shall apply the Subscription Deposit in its entirety toward satisfaction of payment of the Subscription Price.

All the subscription monies to be paid by YDM and New Aims for the respective Subscription Shares being an aggregate of US\$10 million will be used as payment by i-Treasure (being a wholly owned subsidiary of Everwise) as deposit for the Initial Charter Capital of Slag Factory (upon its establishment) in accordance with the SF JV Agreement (among which US\$3 million will be further advanced as a loan by i-Treasure to Duong Lam for Duong Lam’s contribution to the Initial Charter Capital of Slag Factory, please refer to the paragraph headed under “Charter capital of Slag Factory”). This amount of US\$10 million will be used as initial investment capital of the Proposed Project. Accordingly, the Subscription Price was determined on the basis of the respective proportion of YDM in Slag Factory for the purpose of implementing the Proposed Project after arm’s length negotiations between the parties to the Subscription Agreement. As such, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Subscription Completion

Subscription Completion is subject to the following conditions:

- (a) YDM being satisfied with the results of due diligence review and investigation of the Everwise Group (including but not limited to the ownership, assets, liabilities, activities, operations, prospects, financial condition, contracts, commitments, business and affairs of the Everwise Group) as it may consider appropriate;
- (b) YDM having received a copy of each of the legal opinions, in form and substance satisfactory to the YDM, to be issued by (i) a firm of lawyers designated by the YDM in the BVI and covering such matters including but not limited to the legality, ownership and business of each of Everwise and i-Treasure in such form and substance as may be required by YDM; and (ii) a firm of lawyers designated

LETTER FROM THE BOARD

by YDM in Vietnam and covering such matters including but not limited to the enforceability, due authorisation and due execution of the SF JV Agreement in such form and substance as may be required by YDM;

- (c) the warranties representations and/or undertakings contained in the Subscription Agreement given or made by Everwise and/or New Aims remaining true and accurate in all material respects and not misleading in any material respect;
- (d) the compliance by the Company with any requirement under the Listing Rules as may be applicable in relation to the subscription for the YDM Subscription Shares and the transactions contemplated by the Subscription Agreement, including without limitation the obtaining of the requisite approval by the Shareholders at the EGM;
- (e) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Subscription Agreement having been obtained by the Everwise Group; and
- (f) (i) Slag Factory having been established; and (ii) Slag Factory having obtained all rights granted by the relevant authority in Vietnam, including but not limited to the SF Investment Certificate, to build a factory for the purpose of processing and exporting titanium slags with a production capacity of not less than 60,000 metric tons per annum in accordance with the mineral laws and all other relevant laws and regulations of Vietnam.

YDM may in its absolute discretion waive the above conditions precedent (except for the conditions precedent as mentioned in (d) and (e) above) at any time by notice in writing to Everwise. As at the Latest Practicable Date, YDM did not intend to waive any of the conditions precedent mentioned above.

If the above conditions precedent are not all fulfilled (or, where applicable, waived by YDM) on or before 30 June 2013, the Subscription Agreement shall be terminated forthwith and cease to be of any effect, whereupon the parties to the Subscription Agreement shall have no claim against each other arising out of or in connection with the Subscription Agreement, save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Ranking of the YDM Subscription Shares

The YDM Subscription Shares, when issued which will then be fully paid, will rank *pari passu* in all respects with the Everwise Shares in issue upon Subscription Completion. The YDM Subscription Shares are not subject to any lock-up or disposal restrictions except for the terms under the shareholders agreement in relation to Everwise to be entered into between New Aims and YDM upon the Subscription Completion.

LETTER FROM THE BOARD

Shareholding structure of Everwise immediately after the Subscription Completion

The following table shows the shareholding structure of Everwise immediately after the Subscription Completion:

Name of shareholder	Number and percentage of shares of Everwise held
YDM	600 (60%)
New Aims	400 (40%)
Total	1,000 (100%)

Upon the Subscription Completion, Everwise will become a subsidiary of the Company.

Board composition of Everwise immediately after the Subscription Completion

The board of directors of Everwise (immediately after the Subscription Completion) will comprise five members, of whom three of them will be nominated by YDM and the remaining two will be nominated by New Aims. The quorum for all meetings of the board of directors of Everwise shall consist of two directors of Everwise, with at least one of the directors appointed by YDM and at least one of the directors appointed by New Aims being present at such meetings.

The Company has not decided the candidates of the nominee directors for Everwise as at the Latest Practicable Date.

LOAN AGREEMENT

The principal terms and conditions of the Loan Agreement are as follows:

Date : 21 January 2013

Borrower : Mineral Land

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Mineral Land and its ultimate beneficial owner (i.e. I3PA) are Independent Third Parties.

Lender : YDM

Principal amount : up to US\$16 million ("Facility")

Availability period : from the date of the Loan Agreement to 30 June 2013 (both days inclusive) or such longer period as the parties may agree in writing

LETTER FROM THE BOARD

- Maturity Date : (i) the period of 12 months from the date of First Drawing (as defined below) made under the Facility (or if an extension thereto is agreed by the parties hereto in writing, such later date as may be so agreed by the parties); and
- (ii) if the conditions precedent for the drawdown of the remaining balance below are not fulfilled, the period of 3 months from the date of the EGM
- Interest : A fixed sum of US\$1 million payable on the Maturity Date.
- However, no interest will be carried on the outstanding principal amount of the loan if (i) the conditions precedent to the drawdown of the remaining balance as disclosed below have not been fulfilled; or (ii) in accordance with the terms of the Call Option Deed, YDM exercises the Call Option within one year after the date of the Loan Agreement, pursuant to which YDM or its nominee (as purchaser) and Solid Success (as vendor) will enter into the ML SP Agreement which shall be in form and substance to the satisfaction of YDM and the Option Acquisition Completion will have taken place in accordance with the terms of the ML SP Agreement.
- Default interest : Mineral Land shall pay interest on such sum from the due date to the date of actual payment at the rate of 8% per annum in the event that Mineral Land fails to make any payment on the due date.
- Default interest shall accrue from day to day on the unpaid sum, shall be calculated on the basis of an actual number of days and a 365-day per year, may be compounded for such funding periods as YDM may require and shall be payable from time to time on demand.
- Repayment : Mineral Land shall repay the principal outstanding amount of the Loan and interest thereon in full by one lump sum on the Maturity Date
- Security/Collaterals : (i) a pledge of 60% charter capital in Duong Lam executed by TVQ and the DL Selling Shareholders in favour of YDM;

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- (ii) a charge of the 100% issued share capital of Everwise executed by New Aims in favour of YDM; and
- (iii) the personal guarantee executed by I3PB in favour of YDM (collectively the “**Security Documents**”)

The personal guarantee executed by I3PB shall be enforced only after YDM having made first recourse and exhausted for any amount due under the Loan Agreement unpaid by Mineral Land against the other Security Documents.

Among the Security Documents, given the fact that Everwise currently does not own any material assets and has no existing business operations, the Company intends to rely on the other two collaterals (i.e. the pledge of 60% charter capital in Duong Lam and the personal guarantee given by I3PB) to recover the Loan in the event of default. Any loan advanced by YDM to Mineral Land will be deposited in bank accounts with at least a joint signatory who is YDM’s authorised representative. A substantial portion of the loan advanced by the Group will be applied to the investment in the Target Group, such as construction of fixed assets and purchase of equipment. In addition, as Duong Lam currently holds two DL Investment Certificates and two Exploration Licences, where (as advised by the Company’s Vietnam legal advisers) there shall have no legal impediments foreseeable in relation to the obtaining of the Mining Licences based on these DL Investment Certificates and Exploration Licences, the Directors consider that Duong Lam will have sufficient assets to fulfill its obligations under the relevant pledge. As at the Latest Practicable Date, the Company does not foresee any legal impediments in relation to the enforcement of such pledge and personal guarantee (hence no major difficulties) to recover the Loan. However, the enforcement of the Security Documents (and thus the recoverability of the Loan) may be subject to the risks disclosed in the paragraph headed “Risks in relation to the recoverability of the Loan” in Appendix V to this circular.

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Conditions precedent for the First Drawing : The first drawing shall be for the principal amount of US\$4 million (“**First Drawing**”) and shall be advanced by YDM to Mineral Land on the third business day after, among others, the following conditions are satisfied:

- (i) the execution of each of the Security Documents;
- (ii) the execution of the Call Option Deed by Solid Success;
- (iii) the execution of the Duong Lam SP Agreement by Mineral Land and TVQ; and
- (iv) a legal opinion issued by a firm of lawyers designated by YDM in Vietnam and covering such matters including but not limited to the enforceability, due authorisation and due execution of (A) the pledge of 60% charter capital in Duong Lam executed by TVQ and the DL Selling Shareholders in favour of YDM; and (B) the Duong Lam SP Agreement in such form and substance as may be required by YDM; and a legal opinion issued by a firm of lawyers designated by YDM in the BVI and covering such matters including but not limited to the due incorporation and good standing of New Aims and Everwise and the charge of the 100% issued share capital of Everwise executed by New Aims in such form and substance as may be required by YDM.

Conditions precedent for second drawing : After the First Drawing has been made, YDM shall be obliged to advance the second drawing for the principal amount of US\$4 million to Mineral Land on or before 4 February 2013 after the receipt of a duly completed notice of drawing from Mineral Land.

The second drawing was made by YDM on 4 February 2013.

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- Conditions precedent for the drawdown of the remaining balance : Any further drawing under the Facility (a) shall be subject to (i) the approval by YDM; and (ii) the compliance by the Company with any requirement under the Listing Rules as may be applicable in relation to the transactions contemplated by the Loan Agreement, including without limitation the obtaining of the requisite approval by the Shareholders at EGM; and (b) shall only be available after the later of (x) the satisfaction of the condition set out in (ii) above; and (y) 25 March 2013
- Purposes of the Loan : (a) US\$4 million as deposit from Mineral Land to TVQ under the Duong Lam SP Agreement;
- (b) US\$4 million as a loan further advanced by Mineral Land to New Aims, which will be applied by New Aims for subscribing the NA Subscription Shares (*note*); and
- (c) US\$8 million to be paid by Mineral Land to Duong Lam for purchase of production equipment, payment of fees for acquiring mining rights and slag manufacturing rights. For the Shareholders' information, TVQ and Pham Dac Dat do not have plans to make advance to Duong Lam on pro rata basis at this stage. The Company is now in negotiation with TVQ and Pham Dac Dat that within one year after the Option Acquisition Completion, such two parties shall provide advances to Duong Lam on a pro rata basis through shareholders' loan or subscription for further charter capital of Duong Lam.

Note:

According to Mineral Land, major terms of such further advance of US\$4 million by Mineral Land to New Aims are as follows:

- Principal amount: up to US\$4 million
- Interest: nil
- Maturity date: (i) if the Subscription Agreement is not approved by Shareholders at the EGM, seven business days after the date of the EGM; (ii) the date falling 12 months from the date of First Drawing; and (iii) date of Option Acquisition Completion, whichever is earliest
- Use of proceeds: such proceeds will be deposited into the Joint Bank Account which is jointly operated by YDM and New Aims for subscription of the NA Subscription Shares by New Aims
- Collaterals: nil

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In respect of item (b) of the “Purposes of the Loan” as mentioned above, as commercially agreed by the parties, it is intended that I3PA will retain 40% of equity interest in Everwise (and thus a 28% equity interest in Slag Factory) in the future. The Directors consider that it is beneficial to the Company and the Shareholders to allow I3PA to hold part of the equity interest in Slag Factory because I3PA has experience in ore trading and general business in Vietnam, which can facilitate the Company’s participation in the Proposed Project. Currently, at the initial stage, the subscription of such 40% interest (i.e. the NA Subscription Shares) is financed by the Company; however in the future, in the event that YDM exercises the Call Option and that the Option Acquisition Completion has taken place, such finance (as part of the Loan under the Loan Agreement) will be repaid by New Aims to Mineral Land on or before the Option Acquisition Completion (as mentioned in item (b) of the “Purposes of the Loan” above). By that time, I3PA will hold 28% equity interest in the Proposed Project through Slag Factory under such arrangement. As such, in order to facilitate I3PA to hold 28% equity interest in Slag Factory, the Group financed (on an interest-free basis) New Aims for the subscription for the NA Subscription Shares instead of subscribing for the entire issued share capital in Everwise by itself, which the Directors consider as fair and reasonable to the Company and the Shareholders as a whole.

Pursuant to the Loan Agreement, all drawings under the Facility shall be deposited in to an account which is jointly maintained by YDM and Mineral Land (or their respective nominees), which is operated by the joint signatories of YDM and Mineral Land.

Under the above arrangement, YDM will not charge interest in the event of non-fulfilment of the conditions precedent for the drawdown of the remaining balance. Parties to the Loan Agreement agreed to such terms because the fulfilment of such conditions precedent are not under the reasonable control of Mineral Land. In addition, the controlling shareholder of the Company (namely, Yue Da Group (H.K.) Co., Limited (“YDHK”)) is interested in about 42.5% of the Company’s issued share capital. As a matter of risk allocation, Mineral Land does not agree to pay interest for the reason of such condition not being fulfilled. The Directors consider the arrangement that YDM will not charge interest in the event of non-fulfilment of such conditions precedent is fair and reasonable to both parties to the Loan Agreement, and in the interest of the Company and the Shareholders.

The amount of the Facility was determined after arm’s length negotiations between parties with reference to the intended purposes of the Loan proceeds as disclosed above. As such, the Directors consider that the amount of the Facility is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the conditions to the First Drawing as set out above have been fulfilled, the First Drawing was advanced by YDM to Mineral Land on 24 January 2013 accordingly. Also, the second drawing under the Loan Agreement was advanced to Mineral Land on 4 February 2013.

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CALL OPTION DEED

Date

21 January 2013

Parties

- (a) YDM;
- (b) Solid Success as option grantor; and
- (c) Mineral Land.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Solid Success and its ultimate beneficial owner (i.e. I3PA) are Independent Third Parties.

Grant of the Call Option

Pursuant to the Call Option Deed, Solid Success granted to YDM the exclusive right and option to require Solid Success to sell (i) the entire issued share capital of Mineral Land ("**Option Shares**") and (ii) the benefit of the ML Shareholder's Loan, at not more than the Option Share Price in accordance with the terms of the Call Option Deed.

YDM is not required to pay any premium for the Call Option.

Exercise of the Call Option

The Call Option is exercisable by YDM executing and delivering to Solid Success a notice within the period of one year from the date of the Call Option Deed.

The Company intends to exercise the Call Option to purchase the Option Shares taking into account, among others, the following factors:

- (a) Duong Lam having obtained the Mining Licence in relation to the Target Mines;
- (b) Duong Lam having obtained all licenses, approvals, permits, certificates or other governmental approvals for its normal business operations; and
- (c) all such approvals, licenses, permits, certificates or other governmental approvals obtained by Duong Lam having remained in full force and effect.

The Company will also consider other factors such as the then financial resources and conditions of the Group, the operations and performance of Slag Factory and Duong Lam, results of due diligence in relation to Duong Lam, the prospects of the mining industry and general economic conditions of Vietnam, when deciding whether to exercise the Call Option

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and acquire Mineral Land (and thus the majority equity interest in Duong Lam). For further information on the status of application of the Mining Licences, please refer to the section below headed “Information of the Target Group”.

The Company may or may not exercise the Call Option to enter into the ML SP Agreement in relation to the acquisition of the Option Shares (and thus the Option Acquisition Completion may or may not take place). If the ML SP Agreement is entered into between the Company and other relevant parties, the transaction contemplated thereunder may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further, at the time when entering into the ML SP Agreement, Duong Lam being a member of the Mineral Land Group may have obtained the Mining Licence in relation to the Target Mines and therefore the transaction contemplated under the ML SP Agreement may also be required to observe the requirements under Chapter 18 of the Listing Rules. The Company will make announcement in relation to the ML SP Agreement, if so entered, in accordance with the then applicable requirements under the Listing Rules.

Option Share Price

The Option Share Price shall comprise:

- (a) the basic consideration of not more than US\$10 million (“**Cash Consideration**”); and
- (b) the earnouts of not more than US\$26 million (“**Earnouts**”), including (i) tranche 1 earnout payment, the amount of which shall not exceed US\$15.6 million (“**Tranche 1 Earnout**”); and (ii) tranche 2 earnout payment, the amount of which shall not exceed US\$10.4 million (“**Tranche 2 Earnout**”).

The Cash Consideration and the Earnouts shall be paid by YDM (or its nominee) to Solid Success, and the relevant amount shall be adjusted in the manner as set out in the paragraph headed “Payment manner of and adjustment to the Option Share Price” below, where the parties to the Call Option Deed have agreed that all terms in such paragraph shall be included in the ML SP Agreement.

The Option Share Price of US\$36 million is determined on the basis of the following:

{1.5 million metric tons (being the amount of guaranteed Reserves)

- x US\$250 per ton (being the current average selling price of ilmenite ores after value added tax in the global market generally, where only ilmenite is considered as the price of ilmenite is the lowest among the four metals in the Reserves)
- x 60% (being the proportion of equity interest in Duong Lam to be held by Mineral Land upon completion of the Duong Lam SP Agreement)
- x 25% (being the discount for uncertainties and investment cost as determined by the Company)}

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- {US\$16 million (being the principal amount of loan owing by Mineral Land to YDM under the Loan Agreement)}
- = approximately US\$36 million

The above determination of the Option Share Price is commercially agreed between the relevant parties, taking into account the current market price of the relevant ores. Further, the Option Share Price, which will be one of the major terms of the ML SP Agreement, will be subject to the Shareholders' approval, if and when the Company enters into the ML SP Agreement in the future. Shareholders by that time can reconsider the basis of the Option Share Price and whether to approve the acquisition of Mineral Land. In light of the above, the Company considers that the determination of the Option Share Price under such arrangement is fair and reasonable.

ML SP Agreement

Upon exercise of the Call Option in accordance with the terms of the Call Option Deed, Solid Success as vendor and YDM or its nominee as purchaser shall within seven business days enter into the ML SP Agreement, pursuant to which Solid Success will as beneficial owner agree to sell (and YDM will agree to buy) the Option Shares and the benefit of the ML Shareholder's Loan, at not more than the Option Share Price.

If Solid Success fails to enter into the ML SP Agreement within seven business days after an exercise of the Call Option ("**Date of Execution**") (unless such failure is solely a result of the wilful default or gross negligence of YDM), YDM may, in its absolute discretion, by notice to Solid Success:

- (a) elect to postpone the Date of Execution to a date by no more than five business days; or
- (b) terminate the Call Option Deed without liability on the part of YDM; or
- (c) seek to obtain an order for specific performance of Solid Success's obligations.

Payment manner of and adjustment to the Option Share Price

The parties to the Call Option Deed have agreed that and Solid Success shall procure TVQ and I3PB to agree (and Solid Success, TVQ and I3PB are collectively referred to as "**SP Covenantors**") that the terms set out in the paragraphs below shall be included in the ML SP Agreement.

(A) Payment of the Cash Consideration

Subject to the adjustment and/or arrangement as mentioned in the paragraphs below of this section, the Cash Consideration shall be paid by YDM or its nominee (as purchaser) to Solid Success (as vendor) at the Option Acquisition Completion, being an amount of US\$10 million (subject to any downward adjustment to be made in accordance with the paragraphs below) to be paid in immediately available cash or in such other manner as may be agreed between Solid Success and YDM in writing.

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(B) Adjustment to the Cash Consideration based on the Option Completion Quantity

Where the quantity (“**Option Completion Quantity**”) of the Reserves (i.e. the ilmenite, zircon, rutile and monazite ore reserves in the Target Mines) as determined under the JORC Code (falling under the category of proven and/or probable) is more than 1 million metric tons but less than 1.5 million metric tons, the amount of Cash Consideration (before the NTAV Adjustment as explained below) payable at Option Acquisition Completion shall follow the schedule below:

Amount of Reserves (falling under the category of proven and/or probable) as determined under the JORC Code (metric tons)	Cash Consideration (before the NTAV Adjustment) (US\$)
1,000,000–1,099,999	3 million
1,100,000–1,199,999	4.4 million
1,200,000–1,299,999	5.8 million
1,300,000–1,399,999	7.2 million
1,400,000–1,499,999	8.6 million

Provided that any amount of the Cash Consideration (after the NTAV Adjustment) withheld from payment pursuant to this paragraph shall become immediately payable in accordance with paragraph (D).

The Company does not intend to exercise the Call Option if the amount of the JORC-compliant Reserves (falling under the category of proven and/or probable) is less than 1 million metric tons.

(C) Adjustment to the Cash Consideration based on net tangible asset value of the Target Group (“NTAV Adjustment”)

Each of the SP Covenantors (except I3PB) warrants and undertakes to YDM that immediately before the Option Acquisition Completion:

- (a) the consolidated net tangible asset value (“**NTAV**”) of the Target Group (adjusted to adding back the amount of any loans given by YDM and any shareholders’ loan outstanding as at the date of Option Acquisition Completion) is no less than US\$4 million;
- (b) each Target Group Company will have no outstanding borrowings, obligations, accounts payable or liabilities (whether actual or contingent), except for:
 - (i) those indebted to other members of the Target Group;
 - (ii) those indebted by Mineral Land to Solid Success (which indebtedness shall constitute the ML Shareholder’s Loan);

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- (iii) those arising in the ordinary course of trading business of the Target Group, which aggregate amount shall not exceed US\$100,000; and
- (iv) those indebted by Mineral Land to YDM pursuant to the Loan Agreement;
- (c) there are no guarantees given by any Target Group Company whatsoever and howsoever except as those contemplated under the Loan Agreement (if any) or the Call Option Deed; and
- (d) the aggregate amount of accounts receivable and trade receivables (after making provision for overdue accounts receivable and trade receivables in line with the Company's policy of bad debts and doubtful debts) shall not exceed US\$100,000.

If there occurs any breach of the above warranty and reflected in the Completion Accounts, the Cash Consideration shall be reduced by an amount equal to the shortfall.

(D) Compensation in case of the Reserves being less than 1.5 million metric tons

The SP Covenantors acknowledge and confirm that the Cash Consideration is agreed on the basis that Mineral Land through Duong Lam, before the Option Acquisition Completion, will hold valid Mining Licences with JORC-compliant Reserves (falling under the category of proven and/or probable) of no less than 1.5 million metric tons.

Accordingly, the SP Covenantors (except I3PB) undertakes to YDM that where the JORC-compliant Reserves falling in the categories as mentioned above held by Duong Lam before the Option Acquisition Completion is less than 1.5 million metric tons, the SP Covenantors (except I3PB) shall use its best endeavours to procure, at the SP Covenantors' (except I3PB) own costs, Duong Lam to acquire and hold valid Mining Licences regarding the Additional DL Mines having Reserves (in addition to the Target Mines), so that any shortfall of JORC-compliant Reserves falling in the categories as mentioned above shall be supplemented by such acquisition or acquisitions under the following terms and conditions:

- (a) the above acquisition and holding of the Mining Licences in respect of the Additional DL Mines shall be completed within the period commencing the date of Option Acquisition Completion and expiring on the fourth (4th) anniversary of the date of the ML SP Agreement ("**Four-Year Period**");
- (b) each of such Mining Licences shall have a validity period of not less than five years commencing no later than 30 June 2017 and the SP Covenantors (except I3PB) shall procure at the sole cost of the SP Covenantors (except I3PB) the renewal or extension of the validity period of each of such Mining Licences until 80% of JORC-compliant Reserves falling in the categories as mentioned above have been exhausted;
- (c) all costs and expenses (excluding costs payable to the Competent Person (as defined in the Listing Rules) for ascertaining the quantity of JORC-compliant Reserves falling in the categories as mentioned above under the provisions below of this paragraph) incurred by Duong Lam for acquiring such Mining Licenses

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shall be paid by TVQ on behalf of Duong Lam, and TVQ shall have no recourse against Duong Lam or any company in which the Company has or will have direct or indirect interest; and

- (d) a report on Reserves in respect of any Additional DL Mines shall be prepared by a Competent Person to be appointed by YDM, and such report on the quantity of the JORC-compliant Reserves falling in the categories as mentioned above in respect of the Additional DL Mines shall be prepared and reported in accordance with the JORC Code and Listing Rules and shall be issued and given to YDM within four years from the date of Option Acquisition Completion.

So long as: (i) all the terms and conditions set out above are satisfied, and (ii) the quantity (“**Relevant Quantity**”) of Reserves as reported in any reserves report as prepared and issued in respect of the relevant Additional DL Mines are more than 0.1 million metric tons, YDM shall pay the following amount as part of the Cash Consideration payable by YDM as purchaser to Solid Success as vendor:

Portion of Cash Consideration payable under this paragraph:

- = Cash Consideration payable under paragraph (B) above as if the amount of Reserves equals to the aggregate of the Option Completion Quantity and the Relevant Quantity in metric tons – Cash Consideration actually paid by YDM pursuant to paragraph (B) above

Provided that the aggregate of such portions of Cash Consideration payable by YDM as purchaser to Solid Success shall not exceed the following amount:

The maximum of aggregate portions of Cash Consideration (including amount previously paid under this paragraph before the payment of the instant portion) payable under this paragraph

- = {US\$10 million}
- less {Amount to be deducted from the Cash Consideration pursuant to paragraph (C) above}
- less {Amount of Cash Consideration paid by YDM pursuant to paragraph (B) above}

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(E) Payment of the Tranche 1 Earnout

Tranche 1 Earnout shall be payable by YDM or its nominee (as purchaser) to Solid Success (as vendor) upon all the following conditions (“**Tranche 1 Earnout Payment Conditions**”) being satisfied within the Four-Year Period:

- (a) the designed capacity (“**Excavating Capacity**”) of the production facilities of Duong Lam for excavating rough mineral sands contained in the Reserves being not less than 150,000 metric tons per annum as guaranteed by relevant manufacturers, which shall be verified by the issue of a report or certificate given in accordance with sub-paragraph (e) below;
- (b) the designed capacity of the production facilities of Duong Lam for separating, refining and processing rough mineral sands into saleable concentrates from the Reserves being not less than 150,000 metric tons per annum as guaranteed by relevant manufacturers, which shall be verified by the issue of a report or certificate given in accordance with sub-paragraph (e). For the purpose of this sub-paragraph (b), the expression “saleable concentrates” means concentrates of ilmenite, zircon, rutile and monazite (after separation and refining) which are in compliance with the Vietnamese Government’s Standards for export from Vietnam, with or without being subject to any export quota under the relevant laws and regulations of Vietnam;
- (c) the designed capacity of the zircon powder grinding facilities held by Duong Lam being not less than 25,000 metric tons per annum as guaranteed by relevant manufacturers, and the quality and trade of the zircon finished products shall comply with the Vietnamese Government’s Standards for export from Vietnam, with or without being subject to any export quota under the Mineral Laws and all other relevant laws and regulations of Vietnam, which capacity shall be verified by the issue of a report or certificate given in accordance with sub-paragraph (e);
- (d) Slag Factory having obtained all approvals from all relevant authorities in Vietnam required for increasing its production capacity from 60,000 metric tons of titanium slags per annum to 120,000 metric tons of titanium slags per annum provided that this condition shall not be required if the failure of fulfilling such condition is solely due to reasons of YDM or its authorised representatives; and
- (e) YDM, at its own costs, having obtained a report or reports (or, as the case may be, a certificate or certificates) issued by a technical adviser (or, in respect of sub-paragraph (d), by a legal adviser) to be appointed by YDM, certifying the satisfaction of the conditions set out in sub-paragraphs (a) to (d) above (both inclusive).

Where all the Tranche 1 Earnout Payment Conditions are satisfied, YDM shall pay to Solid Success a sum of US\$15.6 million in immediately available cash or in such other manner as may be agreed between Solid Success and YDM in writing, within 30 business days from the date of the last Tranche 1 Earnout Payment Condition being satisfied.

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(F) Payment of the Tranche 2 Earnout

Tranche 2 Earnout shall be payable by YDM to Solid Success upon all the following conditions (“**Tranche 2 Earnout Payment Conditions**”) being satisfied within the Four-Year Period:

- (a) Slag Factory having completed the acquisition and holding of all valid Additional Mining Licences in respect of any Additional Target Mines;
- (b) each of such Additional Mining Licences shall have a validity period of no less than five years commencing no later than 30 June 2017 and the SP Covenantors (except I3PB) shall procure at the sole cost of the SP Covenantors (except I3PB) the renewal or extension of the validity period of each of such Additional Mining Licences until 80% of the Additional Reserves under Vietnamese Government’s Standards have been exhausted;
- (c) all costs and expenses incurred by Slag Factory for acquiring such Additional Mining Licences shall be paid by Slag Factory, provided that such sum shall not be more than US\$2.5 million for every million metric tons of Reserves (exclusive of any charges, fees, taxes, duties, levies and whatsoever costs, fees and expenses payable to the relevant authorities in Vietnam), otherwise any amount exceeding such sum of US\$2.5 million shall be borne and paid by the SP Covenantors (and without recourse to YDM or any company in which it has (or will then have) direct or indirect interest); and
- (d) at YDM’s own costs, the issue (within the Four-Year Period) of a reserves report (“**Relevant Reserves Report**”) prepared in accordance with the Vietnam Government Standards by a technical adviser appointed by YDM, showing that the Reserves in any Additional Target Mine are not less than 1 million metric tons.

Where all the Tranche 2 Earnout Payment Conditions are satisfied in respect of any Additional Target Mine, YDM shall pay to Solid Success the following amount as a portion of the Tranche 2 Earnout payable by YDM to Solid Success in immediately available cash (or in such other manner as may be agreed between YDM and Solid Success in writing), within 30 business days from the date of the last Tranche 2 Earnout Payment Condition in respect of that Additional Target Mine being satisfied:

Portion of Tranche 2 Earnout payable in respect of the relevant Additional Target Mine under this paragraph

$$= \{ \text{US\$10.4 million} \} \times \{ \text{Quantity of Reserves (“Q2”) in metric tons as stated in the Relevant Reserves Report (and rounded down to the nearest million metric tons)} \} \\ \div \{ 8 \text{ million metric tons} \}$$

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Provided that:

- (i) the aggregate of such portions of Tranche 2 Earnout payable by YDM to the Grantor shall not exceed US\$10.4 million;
- (ii) where in the calculation of the portion of Tranche 2 Earnout payable in respect of a particular Additional Target Mine, the quantity of Reserves in metric tons as stated in the Relevant Reserves Report has been rounded down to the nearest million metric tons, then such quantity deducted may be added back to any subsequent calculation of the portion of Tranche 2 Earnout payable in respect of new Additional Target Mines subsequently acquired by Slag Factory, subject to the same rounding-down requirement in the above formula; and
- (iii) if Slag Factory fails to obtain all approvals from all relevant authorities in Vietnam for increasing the production capacity to 120,000 metric tons per annum within the Four-Year Period is solely due to the reason of YDM or a force majeure event, the amount of the Tranche 2 Earnout payable by YDM to Solid Success shall be modified as:
 - = {US\$10.4 million} x {Quantity of Reserves (“Q2”) in metric tons as stated in the Relevant Reserves Report (and rounded down to the nearest million metric tons)} ÷ {4 million metric tons}.

(G) Compensation in case of the Additional Reserves being less than 8 million metric tons

In the event that the Additional Reserves as acquired by Slag Factory under paragraph (F) is less than 8 million metric tons upon the expiry of Four-Year Period, the SP Covenantors shall on a joint and several basis compensate YDM in accordance with the following provisions:

- (a) the compensation (“**Slag Factory Shortfall Compensation**”) payable by the SP Covenantors on a joint and several basis to YDM shall be equal to:

{the multiple of

- (i) the shortfall of 8 million metric tons less the actual Additional Reserves attributable to the Additional Target Mines held by the Slag Factory; and
- (ii) US\$6.39 per ton,

and deducted by the difference between US\$10.4 million and the amount of actually paid by YDM as Tranche 2 Earnout in accordance with paragraph (F) above};

- (b) such Slag Factory Shortfall Compensation shall be paid by the SP Covenantors on a joint and several basis to YDM (or such other person as may be nominated by YDM in writing at least two business days before the payment date) in

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immediately available cash (or in such other manner as may be agreed between YDM and Solid Success in writing), within 30 business days from the date of expiry of the Four-Year Period; and

(c) if the Slag Factory fails to obtain all approvals from all relevant authorities in Vietnam for increasing the production capacity to 120,000 metric tons per annum within the Four-Year Period is solely due to the reason of YDM or a force majeure event, the amount of the Slag Factory Shortfall Compensation payable by Solid Success to YDM shall be modified and equal to the multiple of:

(i) the shortfall of 4 million metric tons of Reserves less the actual Additional Reserves attributable to the Additional Target Mines held by Slag Factory; and

(ii) US\$6.39 per ton,

and deducted by the difference between US\$10.4 million and the amount of actually paid by YDM as Tranche 2 Earnout.

Note:

The amount of US\$6.39 per ton as mentioned in sub-paragraphs (a) and (c) above = $A \times B \div C$

where A = US\$52 million (i.e. the principal Loan amount and the Option Share Price)

B = 70% (the factor of adjustment of goodwill and existing assets value of Duong Lam)

C = 9.5 million tons x 60% (being the proportion of equity interest in Duong Lam to be held by Mineral Land upon completion of the Duong Lam SP Agreement)

The above item B (namely, the factor of adjustment of goodwill and existing assets value of Duong Lam) is determined with reference to the net assets value of Duong Lam as at 30 June 2012 being approximately US\$3.67 million, the DL Investment Certificates and Exploration Licences held by Duong Lam and the possibility of Duong Lam to be granted the Mining Licences in the first half of 2013.

Basis of the determination of the Option Share Price

The Option Share Price is determined after arm's length negotiations between parties with reference to (i) the unaudited net assets value of Duong Lam as at 30 June 2012 of approximately VND76.988 billion (equivalent to approximately US\$3.67 million); and (ii) the expected amount of Reserves as mentioned in paragraphs (D) and (F) under the section headed "Payment manner of and adjustment to the Option Share Price" above. As such, the Directors consider that the Option Share Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Security and undertakings by the SP Covenantors

Further, the ML SP Agreement shall include a term that the SP Covenantors (except I3PB) shall on a joint and several basis undertake to YDM that, including but not limited to, the actual production output of the concentrates as processed from the Reserves of Duong Lam for each of the three years ending 31 December 2013, 2014 and 2015 shall not be less than 50,000 metric tons, 100,000 metric tons and 150,000 metric tons respectively.

In the event of any of the above requirements the sub-paragraph above is not complied with or fulfilled, the SP Covenantors (except I3PB) shall on a joint and several basis compensate YDM in full for the equivalent amount in monetary terms of the difference between the actual amount and the amount undertaken by the SP Covenantors above (except I3PB) (which shall be determined by a relevant professional technical adviser appointed by YDM) and indemnify YDM from and against all costs, expenses (including legal expenses), losses and/or damages which YDM may incur or suffer as a result of or in connection with any non-compliance with the above requirements.

The performance of all obligations by the SP Covenantors under the ML SP Agreement shall be secured and/or guaranteed (as the case may be) by:

- (a) set-off against any outstanding Option Share Price payable by YDM to Solid Success;
- (b) before Option Acquisition Completion, a charge to be created over all charter capital in Duong Lam held by TVQ (but in any event not less than 20% charter capital in Duong Lam) to be given by TVQ in favour of YDM in form and substance to the satisfaction of YDM;
- (c) before Option Acquisition Completion, a charge to be created over 40% of the issued share capital of Everwise to be given by New Aims in favour of YDM in form and substance to the satisfaction of YDM;
- (d) a personal guarantee to be provided by TVQ in favour of YDM in form and substance to the satisfaction of YDM; and
- (e) a personal guarantee to be provided by I3PB in respect of the SP Covenantors' obligations to secure the Additional Reserves to be acquired by Slag Factory in favour of YDM in form and substance to the satisfaction of YDM,

provided that such personal guarantee to be provided by I3PB shall be enforced only after YDM having made first recourse and exhausted against the other security and/or guarantee in (a) to (d) above.

For clarity purpose, specific undertakings to be given by I3PB (on a joint and several basis with the other SP Covenantors) under the ML SP Agreement will include (i) the compensation of excess of costs and expenses incurred by Slag Factory for acquiring the Additional Mining Licences over US\$2.5 million as disclosed in sub-paragraph (c) in the paragraph headed "(F) Payment of the Tranche 2 Earnout" above; and (ii) the payment of

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the Slag Factory Shortfall Compensation (if any) in accordance with the terms disclosed in the paragraph headed “(G) Compensation in case of the Additional Reserves being less than 8 million metric tons” above. As disclosed above, I3PB will provide a personal guarantee in favour of YDM which will cover, among others, the specific undertakings by I3PB as mentioned in this paragraph. Such personal guarantee will be governed by laws of Hong Kong and the Company does not foresee any legal impediments for enforcing the same. The Directors consider that the personal guarantee from I3PB will further protect the Company’s interest as it is a personal guarantee from I3PB, who introduced the Proposed Project to the Company, in addition to the corporate security or guarantees as disclosed above, and is thus in the interest of the Company and Shareholders as a whole.

I3PB has been a consultant of Duong Lam since its establishment and the Group intends to engage I3PB as a consultant of Slag Factory, and his responsibilities are expected to include, among others:

- (a) assisting in the set-up of Slag Factory;
- (b) assisting in the negotiation with the equipment suppliers of Slag Factory;
- (c) assisting in (among other functions) the obtaining of the necessary licences, permits and approvals of Slag Factory;
- (d) assisting in the obtaining of the Additional Mining Licences; and
- (e) providing general advice on the operation and development of Slag Factory.

OTHER TRANSACTION DOCUMENTS

SF JV Agreement

As mentioned above, on 18 January 2013, i-Treasure and Duong Lam entered into the SF JV Agreement, pursuant to which the parties agreed to establish Slag Factory in accordance with the terms and conditions therein. Upon establishment of Slag Factory, Slag Factory will be owned as to 70% by i-Treasure and 30% by Duong Lam.

Purpose of Slag Factory

Under the SF JV Agreement, Slag Factory shall establish and operate a titanium slag factory in Binh Thuan Province, Vietnam to manufacture and export titanium slags with a production capacity not be less than 120,000 metric tons per annum which is to be completed in two phases: (i) phase one with production capacity of no less than 60,000 metric tons per annum to be completed in 24 months after the establishment date of Slag Factory which is the date of issue of the Business Registration Certificate to Slag Factory (“**Establishment Date**”); and (ii) phase two with production capacity of no less than 60,000 metric tons per annum to be completed in four years after the Establishment Date (“**Proposed Project**”).

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Currently, the establishment of Slag Factory will be for the main purpose of serving the Initial Target Mines. Only if and when Slag Factory obtains the Additional Target Mines as mentioned in paragraph headed “(F) Payment of the Tranche 2 Earnout” above, the service of Slag Factory will be extended to the Additional Target Mines. At this stage, target customers of Slag Factory are titanium dioxide pigment manufacturers in the PRC and Japan. The expected product types are titanium slags with TiO_2 equals to or more than 85%, with the production method of magnetic separation, pre-reduction and smelting. Currently, according to Duong Lam, the intended location of the operation facilities of Slag Factory will be in Bac Binh Commune, Binh Thuan Province, Vietnam and it will not be located in any of the Initial Target Mines. The distance between Slag Factory and the Initial Target Mines is expected to be approximately 40 to 60 kilometres, and the transportation networks from the Initial Target Mines will be connected to Slag Factory. Such transportation networks include an access road to be constructed which will connect Song Binh Industrial Zone (i.e. the intended location of Slag Factory) to the National Highway No.1 with a projected loading capacity of around 20 metric tons, which in turn is connected to Vinh Tân Port, Tuy Phong District, Binh Thuan Province, Vietnam. Vinh Tân Port is now under construction and its operation is expected to be commenced in June 2014. It is planned to be capable of handling vessels of 30,000 tons deadweight (DWT). Further, Song Binh Industrial Zone is planned to be a titanium industrial zone by the Vietnamese government and the Vietnamese government has authorised Rang Dong Group ^(note) which is expected to make investment in the infrastructure (including transportation system) in Song Binh Industrial Zone such as electricity supply, construction of transformer station and thermal power plant. For the avoidance of doubt, Slag Factory is not required to make significant investments further in the infrastructure, except that Slag Factory may be required to pay the fee for infrastructure construction (“phi dong gop xay dung co so ha tang” in Vietnamese) upon the request from the local authority and such fee is normally minimal in practice. Please also refer to the paragraph headed “Taxes” in Appendix IV to this circular.

Further, construction works for Slag Factory can commence upon the issuance of a construction permit without being subject to any mining licence (including the Mining Licences). For further information of target milestones of Slag Factory’s establishment, please refer to the paragraph headed “Target Milestones of Slag Factory’s Establishment” below.

Ilmenite, zircon, rutile and monazite are heavy minerals, which may be extracted from heavy mineral sands or deposits. The chemical formulae of these pure heavy minerals are shown below:

Ilmenite — FeTiO_3 (Iron Titanium Oxide)

Zicorn — ZrSiO_4 (Zirconium Silicate, a co-product of titanium mineral production)

Rutile — TiO_2 (Titanium Dioxide)

Monazite — $(\text{Ce.La}) \text{PO}_4$ (phosphate minerals containing rare earth metals such as Cerium or Lanthanum)

Note: Rang Dong Group is one of the top corporations in Vietnam holding a strong position in urban design, construction of infrastructure, BOT investment, and real estate, etc. For further information, please see www.rangdonggroup.com.vn.

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Titanium metal has the characteristics of strength and lightness, and is commonly used for advanced engineering applications, including architectural coatings, aerospace industries, as well as other industrial applications.

According to the Target Group, only ilmenites can be processed and refined into titanium slags of TiO₂ equals to or more than 85%. The remaining three metal ores in the Reserves (namely, zircon, rutile and monazite) will be separated and refined into: (i) zirconium powder with ZrO₂ equals to or more than 65%; (ii) refined rutile with TiO₂ equals to or more than 83%; and (iii) refined monazite with ReO equals to or more than 57%. Complying with such quality standards set out in (i), (ii) and (iii) above, the relevant products can be exported separately and legally from Vietnam without being subject to quota restraint. For more information on the quota constraint, please refer to the paragraph headed “Quota constraint” in Appendix IV to this circular.

If the Company does not exercise the Call Option within the Call Option Period, the Company will invest in the Slag Factory for the purpose of processing titanium slag from purchasing titanium ores in Vietnam and exporting them to the PRC and Japan in accordance with Vietnamese law.

Charter capital of Slag Factory

The charter capital of Slag Factory is VND360 billion (which is equivalent to US\$18 million) (“**SF Charter Capital**”).

The initial charter capital of Slag Factory at the Establishment Date shall be VND200 billion (which is equivalent to US\$10 million) (“**Initial Charter Capital**”).

Under the SF JV Agreement, the parties thereto are obliged to make capital contribution as follows:

Party	Capital contribution	Percentage of charter capital
Duong Lam	VND108 billion (which is equivalent to US\$5.4 million)	30%
i-Treasure	VND252 billion (which is equivalent to US\$12.6 million)	70%

Upon (i) the issuance of Business Registration Certificate; and (ii) Slag Factory has opened a bank account at a bank agreed by the parties, Duong Lam shall pay to Slag Factory an amount of the VND equivalent to US\$3 million (“**DL Deposit**”) and i-Treasure shall pay to Slag Factory an amount of the VND equivalent to US\$7 million (“**IT Deposit**”, together with the DL Deposit as the “**SF Deposit**”), respectively to Slag Factory in cash. Slag Factory agrees to hold the SF Deposit in escrow and, upon receipt of the SF Investment Certificate relating to the Proposed Project, the entire SF Deposit shall be applied to the contribution of the Initial Charter Capital.

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As disclosed in the paragraph headed “Subscription Price payable by YDM” above, i-Treasure will advance a loan of US\$3 million to Duong Lam for the purpose of settling the DL Deposit.

If the SF JV Agreement is rescinded or otherwise terminated in accordance with its terms and conditions prior to the receipt of the SF Investment Certificate relating to the Proposed Project, then the DL Deposit and the IT Deposit in their entirety shall be repaid to Duong Lam and i-Treasure respectively within seven business days from the date of lapse or termination of the SF JV Agreement.

Conditions of the contribution to the SF Charter Capital

The parties thereto shall have no obligation to contribute the SF Charter Capital until each of the following conditions are fulfilled:

- (a) the issuance of the Business Registration Certificate and SF Investment Certificate containing terms and incentives acceptable to the Parties; and
- (b) Slag Factory has received all approvals from the Vietnam authorities required for the development and operation of the Proposed Project which is certified by a Vietnam legal adviser jointly appointed by the parties.

Upon the receipt of the SF Investment Certificate, the entire SF Deposit shall be applied to the contribution of the Initial Charter Capital.

The remaining SF Charter Capital of VND160 billion (which is equivalent to US\$8 million) shall be contributed and paid by the parties thereto in accordance with the proportions of their capital contribution in Slag Factory at a time when the management body of Slag Factory thinks fit. In turn, such capital expenditure will be shared among YDM and New Aims in proportion to their respective shareholdings in Everwise (sole shareholder of i-Treasure) and among Mineral Land and other shareholders of Duong Lam in proportion to their respective shareholdings in Duong Lam. The Company plans to finance such capital expenditure by internal resources, bank borrowings and/or raising funds in the capital market as it deems fit.

Currently the Company is under negotiation with factory designers regarding the set-up of Slag Factory, including matters such as the types of equipment to be used and whether the Company will use those equipments by acquisition or lease, which are yet to be determined. If required by the Listing Rules, the Company will issue further announcement(s) to disclose such capital expenditure accordingly.

Management of Slag Factory

The highest management body of Slag Factory is the members’ council. Unless otherwise agreed by the shareholders of Slag Factory from time to time, the members’ council consists of five members, of which Duong Lam has the right to appoint up to two members; and i-Treasure has the right to appoint up to three members.

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The Group has not decided the candidates of its nominee directors and the general manager of Slag Factory as at the Latest Practicable Date. However, the Group intends to appoint three engineers (including two geological engineers) of the Group to be the senior management of Slag Factory. The Company also plans to engage the factory designer as one of the consultants for a certain period of time after commencement of the production of Slag Factory to facilitate the smooth operation of Slag Factory.

Target milestones of Slag Factory's establishment

Event	Commencement date	Expected completion date
Conducting conceptual study and design of Slag Factory (including the Group giving feedback and discussing with the specialists)	April 2013	The fourth quarter of 2013
Purchase/lease of equipment	November 2013	Before the second quarter of 2015
Construction of the factory and other facilities	January 2014	The second or third quarter of 2015
Trial production and operation period	June 2015	August 2015
Commercial production	The third quarter of 2015	N.A.

Duong Lam SP Agreement

On 18 January 2013, Mineral Land (as purchaser) and TVQ (as vendor, authorised by the DL Selling Shareholders) entered into the Duong Lam SP Agreement, pursuant to which Mineral Land shall purchase 60% of the charter capital in Duong Lam from TVQ (as authorised by the DL Selling Shareholders) at a consideration of an amount of VND equivalent to US\$8 million in accordance with the terms and conditions therein.

Mineral Land shall (i) within three business days after the signing of the Duong Lam SP Agreement pay an amount of VND equivalent to US\$2 million; and (ii) on or before 28 February 2013 pay a further an amount of VND equivalent to US\$2 million, to TVQ as deposit, which will be refunded to Mineral Land if the Duong Lam SP Agreement is terminated.

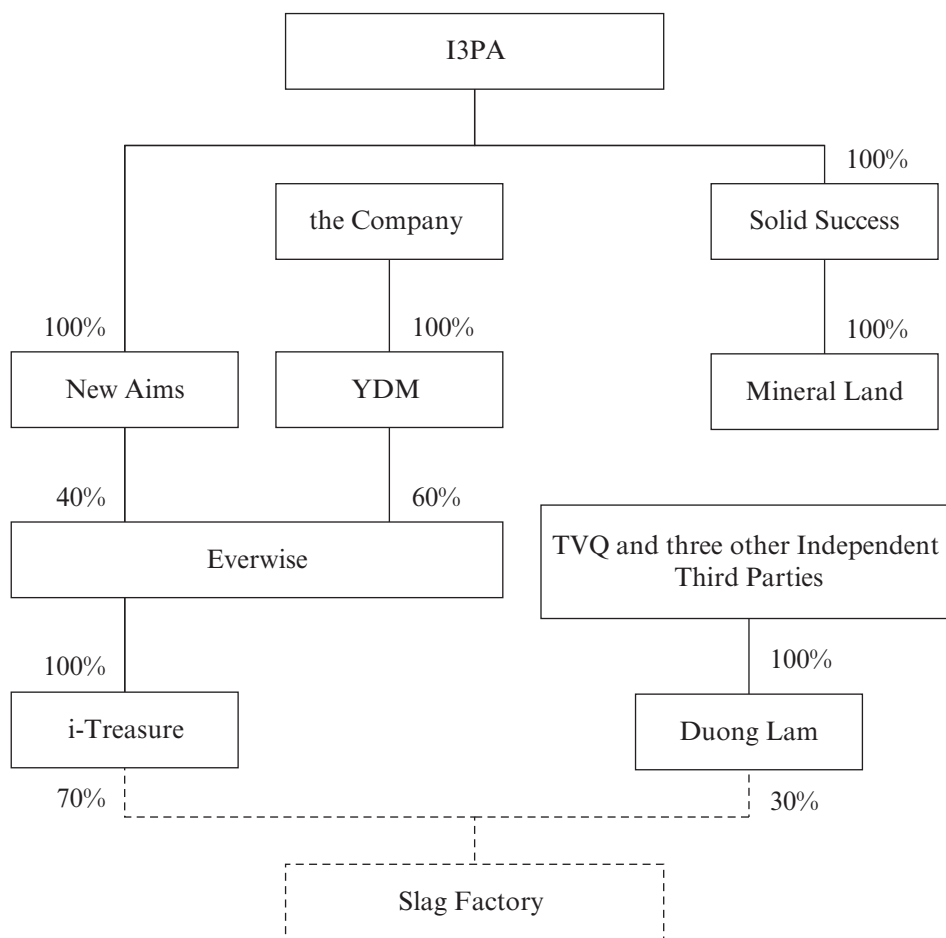
The 60% charter capital which is the subject of the Duong Lam SP Agreement comprises the entire 15% and 10% charter capital in Duong Lam as owned by the DL Selling Shareholders respectively and 35% of the charter capital in Duong Lam as owned by TVQ. As such, upon completion of the Duong Lam SP Agreement, TVQ will own 4.5% of the charter capital in Duong Lam.

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Completion of the Duong Lam SP Agreement shall take place simultaneously with the Option Acquisition Completion.

CORPORATE STRUCTURE OF THE TARGET GROUP UPON SUBSCRIPTION COMPLETION

The following corporate chart depicts the shareholding structure of the Target Group immediate after Subscription Completion:



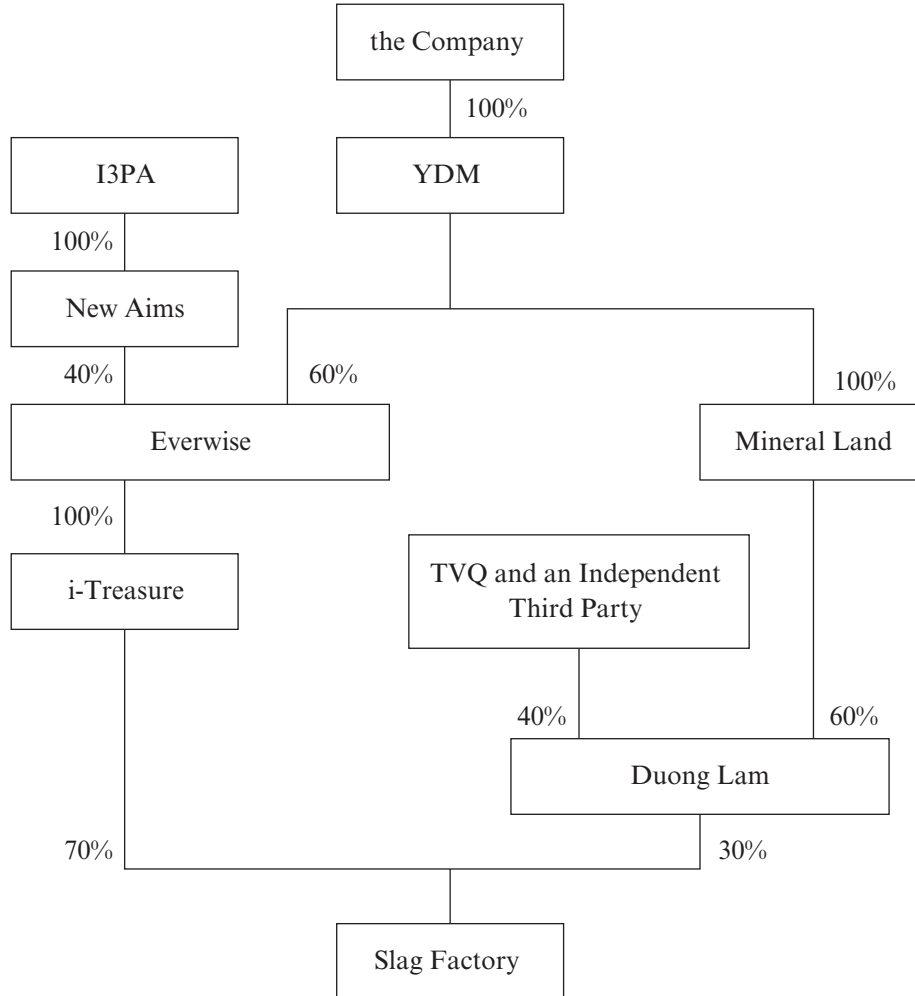
Notes:

- (1) Under the SF JV Agreement, Slag Factory has been agreed to be established upon the issue of the Business Registration Certificate which is expected to be available in the first half of 2013.
- (2) On 18 January 2013, Mineral Land (as purchaser) and TVQ (as vendor, who is an individual) entered into the Duong Lam SP Agreement, pursuant to which Mineral Land agreed to purchase and TVQ (as authorised by the DL Selling Shareholders) agreed to sell 60% charter capital in Duong Lam. Completion of the Duong Lam SP Agreement will take place simultaneously with Option Acquisition Completion.

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CORPORATE STRUCTURE OF THE TARGET GROUP UPON OPTION ACQUISITION COMPLETION

The following corporate chart depicts the shareholding structure of the Target Group immediate after Option Acquisition Completion:



Note: Upon Option Acquisition Completion, Duong Lam will be owned as to 4.5% by TVQ and 35.5% by Pham Dac Dat. Other than being the equity owners of Duong Lam, TVQ and Pham Dac Dat have no family or business relationship among each other.

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INFORMATION OF THE TARGET GROUP

The Target Group comprises Everwise, i-Treasure, Mineral Land, Duong Lam and (upon establishment) Slag Factory.

Everwise, i-Treasure and Mineral Land

Each of Everwise, i-Treasure and Mineral Land is a BVI company which is principally engaged in investment holding and does not have any material assets and property as at the Latest Practicable Date.

Duong Lam

Duong Lam is a joint stock company incorporated in Vietnam which is principally engaged in exploration of the Target Mines in Vietnam which contain ilmenite, zircon, rutile and monazite ore reserves. As at the Latest Practicable Date, it is the holder of (i) two investment certificates both issued by Binh Thuan Province People's Committee in Vietnam on 16 December 2010 approving the investment in mining projects in relation to the Target Mines ("**DL Investment Certificates**"), which the validity period will be the same as that of the Mining Licences, and (ii) two exploration licences ("**Exploration Licences**") both issued by the Ministry of Natural Resources and Environment of Vietnam on 10 January 2006 approving the exploration activities at the Target Mines within eight months from 10 January 2006 ^(note 1). Under the DL Investment Certificates, Duong Lam is required to prepare the mining plan in detail and to submit such plan to the licensing authority. Both the DL Investment Certificates and the Exploration Licences restrict Duong Lam from conducting mining activities (where only exploration of the Reserves at the Target Mines is allowed under the Exploration Licences) unless and until the obtaining of the Mining Licences which will permit the commencement of operation of the mining projects of the Target Mines. On the other hand, under Decision 577/QD-HDTL and Decision 578/QD-HDTL, both of which were issued by the National Mineral Reserves Assessment Council of Vietnam on 24 May 2007, the Reserves in the 83-hectare mine are 37,308 tons and in the 88-hectare mine are 28,244 tons ^(note 2).

Notes:

1. Those exploration licenses have expired. Duong Lam, however, is not required to apply for the renewal of the exploration licenses as it has already explored the Target Mines and submitted the reports on the Reserves in Target Mines to the National Mineral Reserves Assessment Council. The National Mineral Reserves Assessment Council has approved such Reserves as stated in the Decisions as mentioned.
2. According to Duong Lam, GEOSIMCO (<http://www.geosimco.vn/index.php>), an affiliate of Vietnam National Coal — Mineral Industries Holding Corporation Limited (VINACOMIN) (<http://www.vinacomin.vn/en.html>) which is wholly owned by Vietnamese Government, is the professional party which had evaluated the Reserves in the Target Mines.

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As advised by the Company's Vietnam legal advisers, in order to obtain the mining licence of a mine in Vietnam, a company shall obtain (i) the exploration licence to explore the mineral ore reserves in the mine from the competent authority; (ii) the decision approving such reserves from the National Mineral Reserves Assessment Council of Vietnam; and (iii) the investment certificate from the local licensing authority approving the company's mining project at target mine. As such, Duong Lam has basically met all of these three criteria as mentioned in the preceding paragraph. For such reasons, Duong Lam has in-principle obtained all the major approvals of applying for the Mining Licences in relation to the Target Mines and is currently awaiting the issuance of the Mining Licences relating to the Target Mines which are expected to be obtained in the first half of 2013. As at the Latest Practicable Date, the Company does not foresee any material obstacles for Duong Lam to obtain the Mining Licences. The mining activities at the Target Mines can be put into operation after the issue of Mining Licences.

As advised by the Company's Vietnam legal advisers, legally speaking, there is no foreign ownership restriction with respect to mining rights under Vietnamese laws. In practice, however, the licensing for a mining project invested by foreign investors is more time-consuming than a project invested by domestic investor as the licence application will be subject to an investment evaluation process with various requirements. As a matter of practice, for example, Vietnamese licensing authority (i.e. Binh Thuan People's Committee) would prefer a mine to be developed by a joint venture with both Vietnamese and foreign shareholders (although strictly speaking Vietnamese law allows a mining project to be developed by a wholly foreign owned company). Also, Vietnamese law provides for a licensing period of forty five (45) working days, but in practice the licensing process could take two to four months. If there is any further exploration at the Target Mines with Mining Licences having been obtained, it is not necessary for Duong Lam to obtain other exploration licences. However, notification to the Ministry of Natural Resources and Environment on such exploration will be required.

Duong Lam has confirmed that, as at the Latest Practicable Date, there has been no mining activity conducted at the Target Mines (as it is awaiting the grant of the Mining Licences to the Target Mines by Vietnamese competent authority).

Slag Factory

Slag Factory is to be established in Vietnam to implement the Proposed Project in accordance with the terms and conditions of the SF JV Agreement. Upon the Subscription Completion where by that time Slag Factory is expected to have been established, Slag Factory will become a non-wholly owned subsidiary of the Company. For further information of Slag Factory, please refer to the section headed "SF JV Agreement" above.

I3PB

I3PB has been a consultant of Duong Lam since its establishment and has business relationship with I3PA and TVQ in relation to trading of ilmenite, zircon, rutile and monazite ores from time to time (but no other shareholding or equity relationship or otherwise, except for those contemplated under the Transaction Documents). I3PB has more than seven years of experience in trading and general business in Vietnam. Since 2006,

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the Company has started to engage in the activities of mining and processing of metal minerals. Mr Dong Li Yong, an executive Director, has become acquainted with I3PB in 2012 as they are both in the mining industry. As the Proposed Project would require capital investment while the Group has plans to expand its operations by acquiring mining rights with high potential in China and South East Asia countries.

I3PB introduced I3PA and TVQ to the Company for the negotiation regarding the Proposed Investment.

I3PB will be one of the consultants to be engaged by Slag Factory but will not play a significant role in Slag Factory. Other than being one of the consultants of Slag Factory, I3PB is not expected to have other relationship with Slag Factory.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE EVERWISE GROUP AND THE MINERAL LAND GROUP

The principal activity of Everwise and i-Treasure is investment holding of Slag Factory for implementation of the Proposed Project.

The Directors believe that the economy of the PRC will continue to grow and the recovery of the world economy will increase the demand for national consumption of metals in the near future. With the implementation of the Proposed Project, the revenue stream for the Group can be diversified in the resources sector in order to generate better returns to the Group.

As at the Latest Practicable Date, each of Everwise, i-Treasure and Mineral Land did not have any material assets or liabilities save for the investment in Duong Lam by Mineral Land under Loan Agreement.

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According to the unaudited management accounts of Duong Lam of (i) the six months ended 30 June 2012; (ii) the year ended 31 December 2011; and (iii) the year ended 31 December 2010, the financial information of Duong Lam is as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the six months ended 30 June 2012
	<i>VND'million</i>	<i>VND'million</i>	<i>VND'million</i>
Net asset value (<i>Note 1</i>)	12,327	76,094	76,988
Profit/(loss) before/after tax (<i>Note 2</i>)	1,314	(6,233)	894

Notes:

1. The RMB equivalent for such year/period date are about RMB3.79 million, RMB23.41 million and RMB23.69 million respectively.
2. According to the information provided by Duong Lam, the Vietnam government suspended all the export quota of ilmenite ores from the third quarter of 2011 to the first half of 2012 (for the purpose of encouraging ilmenite ores manufacturers to invest in slag factories). Thus, Duong Lam suspended its production during that period. On 9 January 2012, the Prime Minister of Vietnam issued the directive No. 02/CT-TTg to allow ilmenite ores manufacturers to export their unsold inventories on hand until the end of June 2012. Duong Lam recorded a profit for the six months ended 30 June 2012 as a result of the sale of its unsold inventories. From 1 July 2012 onwards, entities in Vietnam are only allowed to export titanium ores which are intensively processed.

FINANCIAL EFFECT ON THE GROUP

Upon Subscription Completion, the Everwise Group and Slag Factory will become non-wholly owned subsidiaries of the Group. Current assets will increase by approximately RMB21,192,000 which comprises (i) the increase in Loan Receivable of approximately RMB120,100,000; (ii) the value of Call Option of approximately RMB9,000; and (iii) decrease in cash and bank balance of approximately RMB98,917,000. Reserves of the Group will decrease by approximately RMB4,091,000 mainly attributable to the estimated costs and expenses for the Loan Agreement and Subscription Completion. Non-controlling interests will increase by approximately RMB25,284,000 being the share of equity by minority shareholder of Everwise Group. Expenditure for establishment of Slag Factory such as the purchase of facilities and equipments will be capitalised, whereas other expenditure will be changed as expense in the income statement of the Group. Details of the estimated effect of the Loan Agreement and Subscription Completion on the assets and liabilities of the Group are set out in Appendix III to this circular.

REASONS FOR ENTERING INTO THE PROPOSED INVESTMENT

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

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The Group has embarked on a number of acquisitions since the first half of 2006, by which the Group has been exploring opportunities in the business of exploring, mining, processing and sale of zinc, iron, lead and gold ore. The Proposed Investment, if proceeding to the Subscription Completion, will allow the Group to diversify its revenue stream in the resources sector. For such reasons, the Group entered into the Transaction Documents for the Proposed Investment.

The market prices of non-ferrous metals are at a relatively low range due to the financial crisis in recent years. The Directors believe that the economy of the PRC will continue to grow and the recovery of the world economy will increase the demand for national consumption of metals in the near future, and thus the Proposed Investment can diversify the revenue stream for the Group in the resources sector and bring better returns to the Group.

In light of the above, the Directors consider the terms of the Subscription Agreement, the Loan Agreement and the Call Option Deed for the purpose of making investment in the Proposed Project are fair and reasonable and are in the interest of the Shareholders as a whole.

TENTATIVE TIMETABLE FOR THE PROPOSED INVESTMENT

In respect of the Proposed Investment, the following tentative timetable lists out the major actions or events and their expected timing in relation to the Proposed Investment. It is prepared on the assumption that all the conditions of the respective Transaction Documents will be fulfilled or (if considered appropriate by the Company and where waivable) waived:

Actions/Events	Date
— Execution of the Transaction Documents	January 2013
— First Drawing of the Loan	
— Payment of Subscription Deposit by YDM	
— Second drawing of the Loan	February 2013
— EGM	May 2013
— Drawing(s) of the remaining amount of the Loan	on or before
— Establishment of Slag Factory	30 June 2013
— Obtaining of the SF Investment Certificate by Slag Factory	
— Subscription Completion	
— Obtaining of the Mining Licence in relation to the Target Mines by Duong Lam	
— Exercise of the Call Option by YDM and execution of the ML SP Agreement	
— Option Acquisition Completion, simultaneously with completion of the Duong Lam SP Agreement	on or before 31 December 2013

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IMPLICATION UNDER THE LISTING RULES

Given that (i) New Aims and Mineral Land being the counterparties to the Subscription Agreement and Loan Agreement respectively are directly wholly owned by the same person I3PA as at the Latest Practicable Date; and (ii) the purpose of entering into both the Subscription Agreement and Loan Agreement is to effect the Proposed Investment, the transactions contemplated under each of the Subscription Agreement and the Loan Agreement are related and thus should be treated as if they were one transaction under Rule 14.22 and 14.23 of the Listing Rules. As a result of such aggregation, the applicable percentage ratios for the aggregated transactions under the Subscription Agreement and Loan Agreement (“**Aggregated Transactions**”) is more than 25% but less than 100%, thus the Aggregated Transactions constitute a major transaction for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and Shareholders’ approval requirements.

Each of the Subscription Completion, the drawings under the Loan Agreement and the grant and/or exercise of the Call Option are **not** conditional to each other. The entering into of the Call Option Deed by YDM will not be subject to the Shareholders’ approval, as (i) there is no consideration for the grant of the Call Option payable by YDM and (ii) as disclosed above in the paragraph headed “Exercise of the Call Option”, only when the ML SP Agreement is entered into by YDM after the exercise of the Call Option, the transaction contemplated thereunder may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company does not intend to exercise the Call Option if the Shareholders do not approve the entering into of the Subscription Agreement and/or the Loan Agreement.

After its establishment, Slag Factory’s operations will be limited to the implementation of the Proposed Project and under which it will not have any assets which are and/or any licence in relation to any Mineral or Petroleum Assets (as defined in Chapter 18 of the Listing Rules), unless and until the Company proceeds to exercise the Call Option and enter into the ML SP Agreement pursuant to which Slag Factory may acquire interests in the Additional Target Mines (including the Additional Mining Licences) as disclosed in section headed “ML SP Agreement” above.

If in the future YDM exercises the Call Option and enters into the ML SP Agreement to acquire the Mineral Land Group, which by that time Duong Lam being a member of Mineral Land Group has acquired the Mining Licence (as mentioned in the paragraph headed “Exercise of the Call Option” above), the Company will comply with, in addition to Chapter 14 of the Listing Rules, the then applicable requirements under Chapter 18 of the Listing Rules.

EGM

Resolutions to be proposed at the EGM include ordinary resolutions relating to the Subscription Agreement and the Loan Agreement and the transactions contemplated thereunder. Any shareholder with a material interest in a proposed transaction and his

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associates will abstain from voting on the resolutions at the EGM. To the extent that the Directors are aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on any resolution at the EGM.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

ACTIONS TO BE TAKEN

At the EGM, ordinary resolutions will be proposed to approve, among other matters, the Subscription Agreement and the Loan Agreement and the transactions contemplated thereunder.

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.

RECOMMENDATION

The Directors believe that the Proposed Investment, as effected by the entering into of the Subscription Agreement, the Loan Agreement and the Call Option Deed by the Company respectively are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend Shareholders to vote in favour of the ordinary resolutions for approving the Subscription Agreement and the Loan Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

MISCELLANEOUS

In the event of inconsistency, the English texts of this circular and the enclosed form of proxy shall prevail over the Chinese texts.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012 are disclosed in results announcement 2012, annual report 2011 and annual report 2010 of the Company respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yueda.com.hk).

The auditors' opinion as set out in the annual reports of the Group for each of the two years ended 31 December 2011 was unqualified.

2. INDEBTEDNESS STATEMENT

Borrowing

At the close of business on 28 February 2013, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Enlarged Group had total borrowings amounted to RMB197,977,000 comprising, (i) finance lease payment of approximately RMB338,000 were secured by plant and machinery held by the Enlarged Group; (ii) secured interest-bearing loan from bank of approximately RMB69,075,000 were secured by bank balance of PRC's bank and (iii) unsecured interest-bearing loans from bank of approximately RMB128,564,000.

Commitments

As at 28 February 2013, the Enlarged Group had capital commitments of (i) acquisition of property, plant and equipment of approximately RMB10,004,000 and (ii) construction contract of approximately RMB2,724,000.

Contingent liabilities

As at 28 February 2013, the Enlarged Group did not have any significant contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 28 February 2013 any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchases commitments or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the entering into of the Transaction Documents, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS

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

According to the published audited consolidated results of the Group for the year ended 31 December 2012, the Group recorded revenue of approximately RMB359,059,000 and audited loss and total comprehensive expense attributable to the owners of the Company amounted to RMB230,293,000. The mining operations realised an operating revenue of RMB337,712,000 with a segment loss of RMB123,361,000. The nonferrous metal market was challenging due to the uncertainties of the global economy and the European debt crisis. The toll road operations recorded a net operating revenue of RMB21,347,000 and a segment loss of RMB40,229,000.

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improving and enhancing explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximise explosive effects. Such measures aim at raising production capacity of the Group's existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further focus on technology improvements, optimise production processes of processing plant and maximize grade and recovery of ore concentrates.

In the near future, the Group will continue to focus its effort and resources on maintaining and, where practicable, increasing its turnover and improving its financial position through maintaining better relationship with customers and co-operation with renowned State-owned smelting plants and enterprises in the PRC. Brief details of the strategic co-operation agreements with Zhuzhou Smelter Group Co. Limited, Yunnan Yuntong Zinc Alloy Company Limited, Panzhihua Steel Group International Economic Trading Company Limited and Wugang Group Kunming Iron and Steel Company Limited, a subsidiary of Wuhan Iron and Steel (Group) Corp. were disclosed in the announcements of the Company dated 21 November 2008, 9 December 2008 and 22 December 2009 respectively.

The following is the text of a report received from reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

17 April 2013

The Broad of Directors

Yue Da Mining Holdings Limited
Office nos. 3321–3323 and 3325,
Floor 33rd, China Merchants Tower,
Shun Tak Centre,
No. 168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

We report on the financial information (the “**Financial Information**”) of Everwise Technology Limited (the “**Target Company**”) and its subsidiary (hereafter collectively referred to as the “**Target Group**”), which comprises the consolidated statement of financial position of the Target Group as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of Target Group for the period from 3 January 2012 (the date of incorporation) to 31 December 2012 (the “**Relevant Periods**”). This Financial Information has been prepared by the director of the Target Company for inclusion in Appendix II to the circular issued by Yue Da Mining Holdings Limited (the “**Company**”) dated 17 April 2013 (the “**Circular**”) in connection with the proposed investment by subscription of shares in the Target Company.

The Target Company was incorporated in the British Virgins Islands with limited liability on 3 January 2012. The Target Company is principally engaged in investment holding. As at the date of this report, no statutory audited financial statements have been prepared by the Target Company since its incorporation.

i-Treasure Investments Limited (“**i-Treasure**”), a wholly owned subsidiary of the Target Company, was incorporated in the British Virgins Islands with limited liability on 3 January 2012. i-Treasure is principally engaged in investment holding. As at the date of this report, no statutory audited financial statements have been prepared since its incorporation.

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company for the Relevant Periods, together with the notes thereto (the “**Underlying Financial Statements**”) in accordance with Hong Kong Financial Reporting Standards (“**HKSRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Financial Information for the Relevant Periods are

prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provision of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The director of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by HKICPA, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Listing Rules, and for such internal control as the director of the Company determined is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The director of the Company is also responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Target Company and Target Group as at 31 December 2012 and of the results and cash flows for the Relevant Periods then ended in accordance with the HKFRSs.

I. FINANCIAL INFORMATION**Consolidated statement of comprehensive income of the Target Group**

	<i>Notes</i>	For the period from 3 January 2012 to 31 December 2012 HK\$
Turnover	4	—
Administration expenses		<u>(2,500)</u>
Loss from operations		(2,500)
Finance costs		<u>—</u>
Loss before taxation	5	(2,500)
Taxation	7	—
Loss and total comprehensive expense for the period		<u><u>(2,500)</u></u>

Consolidated Statement of Financial Position of the Target Group

	<i>Notes</i>	As at 31 December 2012 HK\$
ASSETS		
<i>Current assets</i>		
Cash and bank balances		<u>4,500</u>
Total assets		<u><u>4,500</u></u>
EQUITY		
Share capital	10	78
Accumulated losses		<u>(2,500)</u>
Total equity		<u><u>(2,422)</u></u>
LIABILITIES		
<i>Current liabilities</i>		
Amount due to a holding company	11	<u>6,922</u>
Total liabilities		<u><u>6,922</u></u>
Total equity and liabilities		<u><u>4,500</u></u>
Net current liabilities		<u><u>(2,422)</u></u>
Total assets less current liabilities		<u><u>(2,422)</u></u>
Net liabilities		<u><u>(2,422)</u></u>

Statement of Financial Position of the Target Company

	<i>Notes</i>	As at 31 December 2012 HK\$
ASSETS		
<i>Non-current assets</i>		
Interest in a subsidiary	9	<u>8</u>
<i>Current assets</i>		
Amount due from a holding company	11	<u>70</u>
Total assets		<u><u>78</u></u>
EQUITY		
Share capital	10	<u>78</u>
Total equity		<u><u>78</u></u>
Total equity and liabilities		<u><u>78</u></u>
Net current assets		<u><u>70</u></u>
Total assets less current liabilities		<u><u>78</u></u>
Net assets		<u><u>78</u></u>

Consolidated Statement of Changes in Equity of the Target Group

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 3 January 2012 (date of incorporation)	—	—	—
Issuance of share upon incorporation	78	—	78
Loss for the period	<u>—</u>	<u>(2,500)</u>	<u>(2,500)</u>
At 31 December 2012	<u>78</u>	<u>(2,500)</u>	<u>(2,422)</u>

Consolidated Statement of Cash Flows of the Target Group

	For the period from 3 January 2012 to 31 December 2012 HK\$
Loss before taxation	<u>(2,500)</u>
Financing activities	
Issuance of share	78
Amount due to holding company	<u>6,922</u>
Net cash generated from financing activities	<u>7,000</u>
Net increase in cash and cash equivalents	4,500
Cash and cash equivalents at beginning of period	<u>—</u>
Cash and cash equivalents at end of period	<u><u>4,500</u></u>
Analysis of balances of cash and cash equivalents	
Cash and bank balances	<u><u>4,500</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Everwise Technology Limited (the “**Target Company**”) was incorporated in the British Virgin Islands as a limited liability company on 3 January 2012. Its registered office is located at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The principal activities of the Company is investment holding. The principal activity of its subsidiary has been disclosed in note 9 to the Financial Information.

In the opinion of the director of the Target Company, the ultimate holding company of the Target Company is New Aims Holdings Limited (“**New Aims**”), which was incorporated in the British Virgin Islands.

The Financial Information has been presented in Hong Kong dollar, which is also the functional currency of the Target Company.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules. The Financial Information has been prepared under the historical cost convention.

The Financial Information has been prepared on a going concern basis as the ultimate holding company of the Target Company have agreed to provide adequate funds to enable the Target Company to meet its financial obligations as and when they fall due.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 3 to the Financial Information.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Financial Information.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the purpose of preparing and presenting Financial Information for the Relevant Periods, the Target Group has adopted all the applicable HKFRSs which are effective for the Relevant Periods.

The Target Group has not applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Dates of HKFRS 9 and Transition Disclosure ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

1. Effective for annual periods beginning on or after 1 July 2012
2. Effective for annual periods beginning on or after 1 January 2013
3. Effective for annual periods beginning on or after 1 January 2014
4. Effective for annual periods beginning on or after 1 January 2015

The director of the Target Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target Company in the reporting period of initial application.

Basis of consolidation

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

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

Inter-company transactions, balances, income and expenses between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interest in the net assets of consolidated subsidiaries is presented separately from the Target Group's entity therein. Non-controlling interest in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity

since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Target Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries

Subsidiaries are all entities over which the Target Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Company.

In the Target Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Target Company on the basis of dividend received and receivable.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account and other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the different between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

Financial instruments

i. Financial assets

The Target Group classifies its financial assets as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

ii. Impairment loss on financial assets

Objective evidence that the assets are impaired includes observable data that comes to the attention of the Target Group includes the following loss events:

- significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

Impairment losses are reversed in subsequent periods when an increase in asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iii. Financial liabilities

The Target Group classifies its financial liabilities into trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

iv. Derecognition

The Target Group derecognises financial assets where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the end of the financial period or in the normal course of the Target Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Target Group's operating cycle.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment assets are grouped at the lower levels for which there are separately identifiable cash flow (cash-generating units).

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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are

recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provision

A provision is recognised when the Target Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the date of the reporting period of the expenditures expected to be required to settle the obligation.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Target Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related parties

- (a) A person or a close member of that person's family is related to the Target Group if that person: (i) is a member of the key management personnel of the Target Group or of a parent of the Company; (ii) has control over the Target Group; or (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Target Group if any of the following conditions applies: (i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of a third entity; (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan; (vi) the entity is controlled or jointly controlled by a person identified in (a); or (vii) a person identified in (a)(i) has significant voting power in the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment

In considering the impairment losses, the recoverable amounts of Target Group's assets have to be determined.

The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present values, which requires significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. The Target Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount. Impairment losses for director's and the related company's current account are assessed based on director's judgment on such credit worthiness.

Income taxes and deferred taxation

The Target Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. TURNOVER

The Target Group did not generate any turnover during the Relevant Periods.

No segment information has been presented as the Target Group, taken as a whole, has not yet commenced business during the Relevant Periods.

5. LOSS FROM OPERATIONS

Loss before taxation is arrived at after charging:

**For the
period from
3 January 2012 to
31 December
2012
HK\$**

Auditor's remuneration

—

6. DIRECTOR'S REMUNERATION

No remuneration was paid or is payable by the Target Group to its director for the Relevant Period. There was no current arrangement for payment of remuneration to the director of the Target Company.

7. TAXATION

No provision for profit tax has been made accordingly as the Target Group did not have any assessable profit during the Relevant Periods.

No provision for deferred tax liabilities has been made as the Target Group had no material temporary differences between their tax bases of assets and liabilities and the carrying amounts in the Financial Information.

The income tax expense can be reconciled to loss before taxation per the consolidated statement of comprehensive income as follows:

**For the
period from
3 January
2012 to
31 December
2012
HK\$**

Loss before taxation

2,500

Tax at the applicable income tax of 16.5%

413

Tax effect of expense not deductible for tax purpose

(413)

—

8. LOSS PER SHARE

No loss per share is presented as the calculation of the basic loss per share is not meaningful for the purpose of this report.

9. INTEREST IN A SUBSIDIARY

Target Company

	As at 31 December 2012 HK\$
Unlisted shares, at cost	<u>8</u>

Details of the principal subsidiary as at 31 December 2012 as follow:

Name of subsidiary:	i-Treasure Investments Limited
Principal activity:	Investment holding
Place of incorporation:	British Virgin Islands
Share capital:	US\$1
Interest held:	100%

10. SHARE CAPITAL

Target Group and Target Company

	As at 31 December 2012 HK\$
<i>Authorised:</i>	
50,000 ordinary shares of US\$1 each	<u>390,000</u>
<i>Issued and fully paid:</i>	
10 ordinary shares of US\$1 each	<u>78</u>

The Target Company was incorporated on 3 January 2012 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. Upon incorporation, 10 ordinary shares of US\$1 each was issued at par for cash to provide for the initial working capital of the Target Company.

11. AMOUNT DUE FROM/(TO) HOLDING COMPANY

Target Group and Target Company

Amount due from/(to) a holding company is unsecured, interest-free and recoverable/repayable on demand.

12. RELATED PARTIES TRANSACTIONS

- (a) At the end of relevant reporting period, the Target Group had the following balances with related parties:

	As at 31 December 2012 HK\$
Amount due to a holding company	<u>6,922</u>

14. FINANCIAL INSTRUMENTS

The carrying amounts of the Target Group's financial assets and liabilities by category of financial instruments included in the statement of financial position are as follows:

	As at 31 December 2012 HK\$
Financial assets by category	
— Loan and receivables (include cash and bank balances)	<u>4,500</u>
Financial liabilities by category	
— At amortised cost	<u>6,922</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Target Group has no written risk management policies and guidelines. The director of the Target Group is responsible to analyse and formulate strategies to manage and monitor the Target Group's exposure to variety of risks associated with financial instruments which arise from the Target Group's operating activities. Generally, the Target Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to these risks are mitigated are described as follow:

(a) Market risk

Interest rate risk

The Target Group does not exposed to interest rate risk as the Target Group does not have any outstanding bank borrowing as at the end of the reporting period, accordingly no sensitivity analysis on interest rate risk has been present. The Target Group currently does not have an interest rate hedging policy.

(b) Credit risk

The Target Group's credit risk is limited as the credit risk on cash and bank balances is mitigated as counterparties are banks with high credit rating. As at end of the reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Target Group is unable to meet its current obligations when they fall due. The Target Group is exposed to liquidity risk in respect of settlement of amount due to holding company and also in respect of its cash flow management. As the holding company has confirmed and agreed to provide financial support to the Target Company, management is satisfied that the Target Group will be able to meet in full its financial obligations as and when they fall due.

The tables below analyse the Target's Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual fair value without applying discounted cash flow model based on the earliest date on which the Target Group is required to pay.

	Target Group	
	Within 1 year HK\$	Total undiscounted cash flow HK\$
At 31 December 2012		
Amount due to holding company	6,922	6,922

16. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group's objectives when managing capital are:

- To safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for shareholder and benefits for other stakeholders;
- To support the Target Group's stability and growth; and
- To provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the relevant reporting period.

APPENDIX II ACCOUNTANTS' REPORT ON THE EVERWISE GROUP

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Group's total capital comprises all components of equity and net debt includes trade payables, accruals, amount due to a director, less cash and bank balances.

	As at 31 December 2012 HK\$
Amount due to a holding company	6,922
Less: Cash and bank balances	<u>(4,500)</u>
Net debts	2,422
Total capital	<u>2,422</u>
Total capital and net debt	<u><u>4,844</u></u>
Gearing ratios	<u><u>50%</u></u>

17. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Target Group did not have any significant capital commitment and contingent liabilities as at end of the Relevant Periods.

18. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the subscription agreement dated 21 January 2013 entered into between the Target Company; Yue Da Mining Limited ("YTD"), a wholly owned subsidiary of the Company; and New Aims, the Target Company shall enlarged its share capital to 1,000 shares of which (i) YTD shall subscribe an aggregate of 600 shares of the Target Company, representing 60% of the issued share capital in the Target Company at the subscription price at US\$6 million; and (ii) New Aims shall subscribe an aggregate 390 shares of the Target Company, together with the 10 shares held by New Aims as at the end of the reporting period, representing 40% of the issued share capital in the Target Company at the subscription price at US\$4 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 31 December 2012.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

Suites 921–921A, 9/F., Star House,
3 Salisbury Road, Tsim Sha Tsui,
Kowloon, Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

17 April 2013

The Board of Directors

Yue Da Mining Holdings Limited
Office nos. 3321–3323 and 3325,
Floor 33rd, China Merchants Tower,
Shun Tak Centre,
No. 168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear sir,

We report on the unaudited pro forma statement of assets and liabilities of Yue Da Mining Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and Everwise Technology Limited (the “Target Company”) and its subsidiary (the “Target Group”) (together with the Group collectively referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed investment in the Target Company might have affected the financial information of the Group presented, for inclusion in Appendix III of the circular issued by the Company dated 17 April 2013 (the “Circular”). The basis of preparation of the Unaudited Pro-Forma Financial Information is set out on pages 72 to 77 of Appendix III to the Circular.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities of on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 ‘Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circular” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2012 or any future date.

OPINION

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP**A. Introduction**

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) which has been prepared in accordance with paragraph 4.29 of Listing Rules for the purpose of illustrating the effect on the financial position of the Enlarged Group as if the proposed investment in the Target Company had been completed on 31 December 2012 (the “Transaction”). Capitalised terms used therein have the same meaning as those defined in this Circular unless the context otherwise requires.

B. Unaudited Pro Forma Financial Information of the Enlarged Group

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2012 has been prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2012 which has been extracted from the result announcement for year ended 31 December 2012 of the Company; (ii) the audited consolidated financial position of the Target Group as at 31 December 2012 which has been extracted from Appendix II to this Circular; and (iii) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Transaction might have affected the historical financial information in respect of the Group as if the Transaction had been completed on 31 December 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial positions of the Enlarged Group as at 31 December 2012 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information contained in this Circular and the Accountants’ Report on the Target Group as set out in Appendix II to this Circular.

II. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP AS AT 31 DECEMBER 2012

	The Group	The Target Group As		Sub-total	Pro forma adjustments	Notes	Unaudited pro forma of the Enlarged Group
	As at 31 December 2012	at 31 December 2012					
	RMB'000	HKS'000	RMB'000	RMB'000	RMB'000		RMB'000
Non-current assets							
Property, plant and equipment	126,620	—	—	126,620			126,620
Prepaid lease payments	10,054	—	—	10,054			10,054
Mining rights	956,533	—	—	956,533			956,533
Available-for-sale investments	15,964	—	—	15,964			15,964
Other intangible assets	345	—	—	345			345
Other receivables	95,148	—	—	95,148			95,148
Long term deposits	6,882	—	—	6,882			6,882
Deposit paid for land use right	8,604	—	—	8,604			8,604
	<u>1,220,150</u>	<u>—</u>	<u>—</u>	<u>1,220,150</u>			<u>1,220,150</u>
Current assets							
Prepaid lease payment	446	—	—	446			446
Inventories	35,671	—	—	35,671			35,671
Trade and other receivables	95,923	—	—	95,923			95,923
Loan receivables	—	—	—	—	101,138	1(c)	—
					18,962	1(e)	120,100
Call option	—	—	—	—	9	1(d)	9
Amounts due from related companies	31,037	—	—	31,037			31,037
Taxation receivable	2,124	—	—	2,124			2,124
Bank balances and cash	191,527	5	4	191,531	(37,927)	1(a)	—
					44,248	1(b)	—
					(101,138)	1(c)	—
					(4,100)	2	92,614
	<u>356,728</u>	<u>5</u>	<u>4</u>	<u>356,732</u>			<u>377,924</u>
Current liabilities							
Trade and other payables	64,242	—	—	64,242			64,242
Amount due to a related company	40,709	—	—	40,709			40,709
Amount due to directors	426	—	—	426			426
Amount due to holding company	—	7	6	6			6
Tax payables	18,972	—	—	18,972			18,972
Bank borrowings-due within one year	128,648	—	—	128,648			128,648
Obligation under finance lease	766	—	—	766			766
	<u>253,763</u>	<u>7</u>	<u>6</u>	<u>253,769</u>			<u>253,769</u>
Net current assets/(liabilities)	<u>102,965</u>	<u>(2)</u>	<u>(2)</u>	<u>102,963</u>			<u>124,155</u>
Total assets less current liabilities	<u>1,323,115</u>	<u>(2)</u>	<u>(2)</u>	<u>1,323,113</u>			<u>1,344,305</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group	The Target Group As		Sub-total	Pro forma adjustments	Notes	Unaudited pro forma of the Enlarged Group
	As at 31 December 2012	at 31 December 2012					
	RMB'000	HK\$'000	RMB'000	RMB'000	RMB'000		RMB'000
Capital and reserves							
Share capital	83,474	1	1	83,475	(1)	1(f)	83,474
Reserves	811,207	(3)	(3)	811,204	(4,100)	2	
					9	1(d)	807,113
	894,681	(2)	(2)	894,679			890,587
Non-controlling interests	168,931	—	—	168,931	25,284	1(f)	194,215
Total equity	<u>1,063,612</u>	<u>(2)</u>	<u>(2)</u>	<u>1,063,610</u>			<u>1,084,802</u>
Non-current liabilities							
Provisions	2,194	—	—	2,194			2,194
Deferred tax liabilities	257,309	—	—	257,309			257,309
	259,503	—	—	259,503			259,503
	<u>1,323,115</u>	<u>—</u>	<u>—</u>	<u>1,323,113</u>			<u>1,344,305</u>

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1) The adjustment reflects the effect of the Transaction assuming the completion of the Transaction had taken place on 31 December 2012:

- a) Pursuant to the Subscription Agreement, Yue Da Mining Limited (“YDM”), a wholly owned subsidiary of the Company shall subscribe an aggregate of 600 shares of the Target Company, representing 60% of the issued share capital in the Target Company at the subscription price at US\$6 million (equivalent to approximately RMB37.9 million), and New Aims shall subscribe an aggregate of 400 shares of the Target Company, represent 40% of issued share capital in the Target Company at the subscription price at US\$4 million (equivalent to approximately RMB25.3 million).

Upon the completion of the Subscription Agreement, the Target Group will become a non-wholly owned subsidiary of the Group and the results, assets and liabilities of which will be consolidated to the Group.

- b) Pursuant to the SF JV Agreement, i-Treasure, the subsidiary of the Target Company and Duong Lam will establish Slag Factory. Upon establishment of Slag Factory, Slag Factory will be owned as to 70% by i-Treasure and 30% by Duong Lam. The charter capital of Slag Factory is VND360 billion (which is equivalent to US\$18 million). The initial charter capital of Slag Factory at establishment date shall be VND 200 billion (which is equivalent to US\$10 million), under the SF JV Agreement, the parties thereto are obligated to make initial charter capital of Slag Factory on the establishment date as follows:

Party	Initial charter capital	Percentage of charter capital
i-Treasure	VND140 billion (which is equivalent to US\$7 million or approximately RMB44.3 million)	70%
Duong Lam	VND 60 billion (which is equivalent to US\$3 million or approximately RMB18.9 million)	30%

The adjustment represent the bank balances and cash be used for the purpose of making the initial charter capital of Slag Factory. In the opinion of the directors, upon establishment of Slag Factory, Slag Factory will become a non-wholly owned subsidiary of the Group and the results, assets and liabilities of which will be consolidated to the Group.

- c) Pursuant to the Loan Agreement, YDM agreed to grant to Mineral Land a term loan facility up to US\$16 million for a term of one year, which carries a fixed-sum interest of US\$1 million payable on the maturity date. For the

purpose of the Unaudited Pro Forma Financial Information, the directors of the Company consider the fair value of the loan amounts is not materially different from its carrying value because of the short maturity period on its inception.

- d) Pursuant to the Call Option Deed, Solid Success International Limited agreed to grant to YDM the Call Option which require Solid Success International Limited to sell (i) the entire issued share capital of Mineral Land and (ii) the benefit of Mineral Land Shareholder's Loan at not more than the Option Share Price.

For the purpose of the Unaudited Pro Forma Financial Information, the Call Option has been recognised at fair value as at 31 December 2012 of approximately USD1,400 (approximately RMB8,800). The Group has engaged an independent professional valuer, Roma Appraisal Limited, to assess the fair value of the Call Option as at 31 December 2012, the date on which the Transaction is assumed to have been taken place. The valuer performed the valuation concerning the Call Option based on binomial option pricing model.

During the course of developing the option pricing model, the valuer has taken into account of the specific terms and structure of the Call Option as well as the trading conditions and liquidity of the instrument. A binomial price tree was generated by assuming that the market value of Mineral Land Holdings Limited ("Mineral Land") would move up or down by a factor, determined by using the expected volatility of Mineral Land, per each node of the price tree. Meanwhile, a call option tree was built to determine the value of the call option at each tree node. The fair value of the Call Option was obtained by comparing the exercise price with the projected market value at the corresponding tree node of the price tree. The fair value of the Call Option will be re-assessed upon completion of the Transaction.

The closing rate between US Dollar and Renminbi (RMB) as at 31 December 2012 is 0.1583.

- e) Under the SF JV Agreement, i-Treasure will grant to Duong Lam a term loan of US\$3 million for the purpose of settling the initial charter capital of Slag Factory (See 1(b)). For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company consider the fair value of the loan amounts is not materially different from its carrying value because of the short maturity period on its inception.
- f) Upon completion of Subscription Agreement, the Target Company will become a subsidiary of the Group. This adjustment represents the elimination of share capital of the Target Company upon consolidation and account for non-controlling interests of New Aims to the Target Company.

- 2) The transaction costs for the Transaction are estimated to be approximately RMB4,100,000 which consist mainly of the legal and professional fees directly attributable to the Transaction. Such transaction costs will be charged to the profit or loss when incurred.
- 3) For the purpose of the Unaudited Pro Forma Financial Information, the statement of assets and liabilities of the Target Group, as extracted from the statement of financial position of the Target Group as at 31 December 2012 as shown in Appendix II to this Circular, has been rounded to the nearest thousands and translated from HK\$ into RMB by using the exchange rate of 0.8136 prevailing at the close of business on 31 December 2012.
- 4) No other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 31 December 2012.

**LAWS AND REGULATIONS IN RELATION TO TITANIUM PROCESS BUSINESS IN
VIETNAM****Government authorities**

The principal governmental authorities of Vietnam responsible for the administration of Slag Factory are:

- (a) the Binh Thuan People's Committee, in relation to the issue of an investment certificate pertaining to the establishment and operation of Slag Factory and any subsequent licensing issues of Slag Factory; issuing the mining license (within its authority as provided by Vietnamese law);
- (b) the Binh Thuan Department of Natural Resources and Environment, in relation to the issue of land use rights certificate, entering into land lease agreement with Slag Factory;
- (c) the Binh Thuan Department of Construction, in relation to the issue of construction permit for the construction of Slag Factory;
- (d) the Ministry of Planning and Investment, in relation to overall supervision of investment activities;
- (e) the Ministry of Natural Resources and Environment, in relation to overall supervision of mining activities (including titanium process business);
- (f) the Ministry of Industry and Trade as the ministry with direct responsibility for the technical and quality standards, export standards of mining products;
- (g) the Ministry of Finance, including the General Tax Department and local tax departments, in relation to taxation; and
- (h) the General Department of Customs, in relation to mineral export.

Licences and approvals

Under Vietnamese law, in order to engage in titanium processing business, Slag Factory must obtain the following major approvals from the competent authority:

- (a) environmental impact assessment report regarding the establishment and operation of the slag factory;
- (b) the SF Investment Certificate;
- (c) land use rights certificate; and
- (d) construction permit for the construction of the slag factory.

As at the Latest Practicable Date, the Target Group has not satisfied all the relevant requirements for construction and establishment of Slag Factory as disclosed.

Protection of foreign investors

The current Investment Law No. 59/2005/QH11 passed by the National Assembly of Vietnam on 29 November 2005 (“**Investment Law**”) states that the Vietnamese government guarantees the fair treatment of foreign entities investing in Vietnam, and affirms, in principle, that capital and assets invested in Vietnam by foreign investors will not be requisitioned or expropriated through administrative measures and foreign-invested companies (“**FICs**”) will not be nationalised. No implementing regulations, however, have been issued to provide more detailed guidance on how this guarantee will be put into practice.

It is also provided in the Investment Law that if a change in law adversely affects a foreign investor, the investor generally will be entitled to keep and enjoy the existing incentives stipulated in its investment licence or may, as an alternative, elect to (i) change the existing objectives of its project (ii) apply for an exemption from or reduction of taxes in accordance with current law (iii) apply for damages to be deducted from its taxable income or (iv) apply for compensation. In addition, if more favourable investment incentives become available under any law passed after the date of its investment licence, a foreign-invested company may apply for such incentives.

Quota constraint

Vietnamese law does not specify any manufacturing and export quota on a processing factory. According to Circular No. 41/2012/TT-BCT issued by the Ministry of Industry and Trade dated 21 December 2012, took effect from 4 February 2013, minerals are allowed to be exported if the following conditions are satisfied:

- (a) the minerals are processed and met the quality standards provided in Circular 41, for particular, the quality standards of titanium shall be as follows:

List of exported minerals —

Products from titanium ore	Quality standards
1. Zirconia powder	$ZrO_2 \geq 65\%$, particle $\leq 75 \mu m$
2. reverted ilmenite	$TiO_2 \geq 56\%$, $FeO \leq 9\%$, $Fe \leq 27\%$.
3. Titanium slag type 1	$TiO_2 \geq 85\%$, $FeO \leq 10\%$
4. Titanium slag type 2	$85\% > TiO_2 \geq 70\%$, $FeO \leq 10\%$
5. Refined rutile ore	$TiO_2 \geq 83\%$
6. Artificial rutile/synthetic rutile	$TiO_2 \geq 83\%$
7. Refined monazite ore	$REO \geq 57\%$

- (b) the minerals are extracted from the mines that have unexpired Mining Licenses or Salvage Mining License issued by competent authority.

In practice, however, a Vietnamese licensing authority has the power to impose a manufacturing quota on a processing factory and Vietnamese Government could impose an export quota on a processing factory. Such quota will be varied from time to time according to the policies issued by the relevant authorities.

General investment and company laws

Every foreign investment in Vietnam is required to be licensed by an appropriate authority. This licence constitutes the legal permission to invest in Vietnam and serves as the business registration certificate of the company into which a foreign entity invests.

The Slag Factory shall be established with the status of limited liability company under the Investment Law No. 59/2005/QH11 passed by the National Assembly of Vietnam on 29 November 2005 (“**Investment Law**”) and the Enterprise Law No. 60/2005/QH11 passed by the National Assembly of Vietnam on 29 November 2005 (“**Enterprise Law**”), both of which came into effect on 1 July 2006.

The Investment Law and Enterprise Law has introduced a new regime comparing to the old Foreign Investment Law, under which foreign investment was regulated separately from domestic investment. The regime established by the Investment Law and Enterprise Law aims to provide equal treatment, at least in some fundamental respects, for foreign inbound investments and domestic-owned investments.

The Investment Law and Enterprise Law has also introduced a new system to register or to obtain approval to implement a project. When an FIC which is registered or licensed under the Enterprise Law wants to carry out any new investment project, it must obtain an investment certificate for that project. Depending on the nature of the project, an investment certificate can be obtained through either a registration process or an evaluation process. Registration is somewhat simpler as the FIC is mainly required to submit relevant documents. Under the evaluation process, the structure of the project will be reviewed in addition to the documents. There is no difference in the nature of an investment certificate obtained through a registration process and one obtained through an evaluation process. The distinction essentially relates to the internal procedures that the licensing authorities carry out to consider and process applications.

Corporate governance rules under the Enterprise Law require a company to establish multiple levels of authority within the company, each with well-defined responsibilities and powers. The lower degree of latitude under the Enterprise Law has made it easier for the Vietnamese government to introduce and implement good corporate governance practices that are commonly adopted elsewhere in the world.

The Investment Law and Enterprise Law offer FICs assurance of their ability to repatriate profits to their investors abroad. There is no restriction on dividend payouts, provided that the company has fulfilled its tax obligations and other financial obligations (if any) in accordance with Vietnamese law.

Land

The land regulations in Vietnam are complicated and very different from land regulations in many other jurisdictions. Land in Vietnam belongs to the state. Generally, land is leased to FICs for licensed projects and for designated purposes and is therefore specific to each FIC. In general, land is not freely transferable. An FIC may lease land for the duration of its investment licence or investment certificate based on a decision by either the Prime Minister or the relevant People's Committee. Alternatively, and more flexibly, an FIC may choose to lease or sub-lease land in a zone through a lease or sub-lease with the zone developer.

At its own discretion, an FIC may elect to pay land rental for a whole lease term in one lump sum or to pay land rental annually. The method of payment affects the rights of the FIC over the leased land and, in particular, over the land use rights ("LURs") with respect to the leased land. Most importantly, a land user who pays rent in one lump sum has more extensive rights over its LURs, such as to mortgage the LURs (and any building on the land), to use the LURs to provide guarantees and to use the LURs to make capital contributions in the form of the LURs. A land user who pays rent annually, by contrast, does not have these rights with respect to its LURs.

While land in Vietnam cannot be privately owned, foreign investors can own, during the term of the land lease, buildings erected on the land.

All legitimate land users are entitled to obtain land use rights certificates in their name. Similarly, all legitimate owners of property or buildings constructed on land are entitled to obtain certificates of property ownership. These certificates constitute conclusive evidence of the rights of land users and property owners, and provide the basis for the users to exercise their rights, such as to transfer, to mortgage or to dispose of their land use rights or properties.

Taxes

FICs in Vietnam are subject to the following principal national taxes: (i) corporate income tax ("CIT"), including capital gains tax; (ii) value-added tax ("VAT"); (iii) import and export duties; (iv) personal income tax ("PIT") in relation to Vietnamese and foreign employees; and (v) various withholding taxes. There are no local taxes but the Slag Factory may be required to pay the fee for infrastructure construction ("**phi dong gop xay dung co so ha tang**" in Vietnamese) subject to request from the local authority.

CIT

The current standard CIT rate is 25%.

Tax incentives are granted based on regulated encouraged sectors and difficult socio-economic locations. The sectors which are encouraged by the Vietnamese Government include education, health care, sport/culture, high technology, environmental protection, scientific research, infrastructural development and computer software manufacture.

The two preferential rates of 10% and 20% are available for 15 years and 10 years respectively, starting from the commencement of operating activities. When the preferential rate expires, the CIT rate reverts to the standard rate.

Taxpayers may be eligible for tax holidays and reductions. The holidays take the form of a complete exemption from CIT for a certain period beginning immediately after the enterprise first makes profits, followed by a period where tax is charged at 50% of the applicable rate. However, where the enterprise has not derived profits within 3 years of the commencement of operations, the tax holiday/tax reduction will start from the fourth year of operation.

Criteria for eligibility for these holidays and reductions are set out in the CIT regulations under Vietnamese law.

Additional tax reductions may be available for engaging in manufacturing, construction, and transportation activities which employ many female staff, or employ ethnic minorities.

Tax incentives do not apply to other income, which is broadly defined.

From 1 January 2012, following Vietnam's WTO commitments, tax incentives based on export criteria and domestic material usage ratio have been removed. Taxpayers which had tax incentives based on export criteria may select and notify the tax authorities of alternative CIT incentives and apply them for the remaining period.

Capital gains tax

Gains on transfers of interests (as opposed to shares) in a foreign invested or Vietnamese enterprise are subject to 25% CIT. The taxable gain is determined as the excess of the sale proceeds less cost (or the initial value of contributed charter capital for the first transfer) less transfer expenses.

Where the vendor is a foreign organization or foreign individual, a Vietnamese purchaser is required to withhold the tax due from the payment to the vendor, and account for this to the tax authorities. Where the purchaser is also a foreign organization, the Vietnamese company in which the interest is transferred is responsible for the capital transfer profits tax administration. The return and payment is required within 10 days from the date of the approval of the sale.

VAT

VAT is imposed at rates of between zero and 10%, depending on the nature of the goods or services being sold. Titanium slags sold locally are subject to 10% VAT. Generally, manufacturers are responsible for collecting VAT from buyers.

Import and export duties

Import and export duty rates are subject to frequent changes and it is always prudent to check the latest position. Import duty rates are classified into 3 categories: ordinary rates, preferential rates and special preferential rates. Preferential rates are applicable to imported goods from countries that have Most Favoured Nation (MFN, also known as Normal Trade Relations) status with Vietnam. The MFN rates are in accordance with Vietnam's WTO commitments and are applicable to goods imported from other member countries of the WTO.

Special preferential rates are applicable to imported goods from countries that have a special preferential trade agreement with Vietnam. Vietnam has special preferential trade agreements with various countries including the ASEAN member states, Japan, China, India, Australia and New Zealand.

To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin ("C/O"). Without such a C/O, or when goods are sourced from non-preferential treatment countries, the ordinary rate (being the MFN rate with a 50% surcharge) is imposed.

Import duty exemptions are provided for projects which are listed as encouraged sectors and goods imported in certain circumstances. There are 20 categories of import duty exemption, including:

- Machinery & equipment, specialised means of transportation and construction materials (which cannot be produced in Vietnam) comprising the fixed assets of certain projects;
- Raw materials, spare parts, accessories, other supplies, samples, machinery and equipment imported for the processing of goods for export and finished products imported for use in the processed goods; Currently, enterprises manufacturing goods for export do not pay import duties on raw materials where the products are destined for export. However, where the enterprise does not, or is not expected to, export the finished product within 275 days the local Customs Department will charge temporary import duty on the raw materials. Penalties for late payment can apply. Where the enterprise then exports the finished product, a refund will be provided in proportion to the raw materials contained in the exports.
- Machinery, equipment, specialised means of transportation, materials (which cannot be produced in Vietnam), health and office equipment imported to use for oil and gas activities.

There are various cases where a refund of import duties is possible, including for:

- Goods for which import duties have been paid but which are not actually physically imported;

- Imported raw materials that have not yet been used in production and which must be re-exported;
- Imported raw materials that were imported for the production of products for the domestic market but are later used for the processing of goods for export under processing contracts with foreign parties.

Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products, and scrap metal etc. Rates range from 0% to 40%. The price for the computation of export duties is Free On Board/Delivered At Frontier price, i.e. selling price of goods at the port of departure as stated in the contract, excluding freight and insurance costs.

PIT

Where an individual stays in Vietnam for more than 90 days but less than 183 days in a tax year, the individual will be treated as a tax nonresident if he/she can prove tax residency status of another country. Under Vietnamese law, residents are those individuals residing in Vietnam for 183 days or more in a calendar year, or in 12 consecutive months from the first date of arrival; or those having a permanent residence in Vietnam (including a registered residence which is recorded on the permanent/temporary residence card in case of foreigners).

Tax residents are subject to Vietnamese PIT on their worldwide taxable income, wherever it is paid or received. Employment income is taxed on a progressive tax rates basis. Non-employment income is taxed at a variety of different rates. Individuals not meeting the conditions for being tax residents are considered tax non-residents in Vietnam. Non-residents are subject to PIT at a flat tax rate of 20% on the income received as a result of working in Vietnam in the tax year, and at various other rates on their non-employment income. However, this will need to be considered in light of the provisions of any double tax agreement that might apply. The Vietnamese tax year is the calendar year. However, where in the first year of arrival, an individual is present in Vietnam for less than 183 days, his/her first tax year is the first 12 consecutive months from the first month of arrival. Subsequently, tax year is the calendar year.

Both Vietnamese and foreign employees are subject to PIT. PIT is imposed on a progressive basis pursuant to the Law on Personal Income Tax.

PIT Rates

Residents — employment and business income

Annual Taxable Income <i>(million VND)</i>	Monthly Taxable Income <i>(million VND)</i>	Tax rate
Up to 60	Up to 5	5%
More than 60–120	More than 5–10	10%
More than 120–216	More than 10–18	15%
More than 216–384	More than 18–32	20%
More than 384–624	More than 32–52	25%
More than 624–960	More than 52–80	30%
More than 960	More than 80	35%

Tax deductions shall include:

1. Contributions to mandatory social, health and unemployment insurance schemes;
2. Contributions to certain approved charities;
3. Tax allowances:
 - Personal allowance: VND48 million/year;
 - Dependent allowance: VND1.6 million/month. The dependent allowance is not automatically granted, and the taxpayer needs to register qualifying dependants and provide supporting documents to the tax authority.

A company in Vietnam is required to declare and file PIT returns, and to withhold PIT on a foreign employee's Vietnam-related income physically paid in Vietnam. Additional PIT which Vietnamese authorities may impose on a foreign employee's Vietnam-related income received abroad would be the responsibility of the employee.

Withholding tax

Withholding tax is payable on payments abroad of interest on overseas loans, royalties, licence fees, foreign contractors' fees, and cross-border lease charges, etc. Unless the foreign parties to these transactions register to pay tax directly in Vietnam for their Vietnam-related businesses, companies in Vietnam are responsible for withholding the amount of tax payable and paying it to the state on behalf of the foreign parties.

No remittance tax is imposed on profits remitted overseas to foreign investors.

Environmental regulations

The Law on Protection of the Environment, dated 29 November 2005, sets out the general legal framework for the protection of the environment in Vietnam and imposes penalties for breaches of its provisions. It aims to limit adverse impacts on the environment, control environmental degradation and pollution, control environmental hazards and exploitation, encourage the proper use of natural resources, and protect biological diversity. All projects in Vietnam must comply with environmental standards issued by the Ministry of Natural Resources and Environment.

The titanium processing business is required to comply with standards relating to:

- the discharge of wastewater;
- gas emissions;
- toxic waste; and
- noise and vibration.

Those engaged in the titanium processing are obliged to adopt appropriate environmental measures to prevent and control damage to the environment resulting from waste disposal, noise, water, smoke emission, toxic substances and radioactive generated in the course of production, construction, transportation, storage, exploration, processing and other activities. The Slag Factory has not obtained any of the relevant permits.

The Law on Environmental Protection requires that certain foreign investors prepare either an Environmental Impact Assessment Report (“**EIAR**”) or an Environmental Protection Undertaking (“**EPU**”) for their projects, depending on the importance and level of environmental impact of the project. An EIAR differs from an EPU in that an EIAR must be submitted to the appropriate authority for appraisal, while an EPU only needs to be registered. An EPU is registered with the district-level people’s committee, which, when necessary, may authorise commune-level people’s committees to issue a certificate of registration. Slag Factory is subject to the EIAR requirement and will submit its EIARs after obtaining the investment certificate of Slag Factory.

In addition, under the Law on Environmental Protection, Slag Factory is required to:

- comply with the Law on Environmental Protection;
- implement environmental protection measures described in their EIARs and comply with environmental standards;
- prevent and limit any adverse impact on the environment caused by their activities;
- remedy environmental pollution caused by their activities;

- educate and raise environmental protection awareness among their employees;
- comply with reporting requirements;
- observe the environmental protection, supervision and inspection regime of the relevant local authorities; and
- pay environmental tax and environmental protection fees (an environmental tax applies to any individual or organisation that produces and trades in products that are deemed to have a long-term adverse impact on the environment and human life).

Companies engaging in the collection, transportation and disposal of toxic waste must satisfy the following conditions to be eligible to obtain a licence:

- conduct and submit an EIAR or EPU;
- set up toxic waste disposal facilities satisfying the specific conditions set out in the Law on Environmental Protection;
- have methods, technologies and equipment to dispose of toxic waste that are suitable to the chemical, physical and biological properties of each kind of toxic waste;
- possess appropriate means and facilities for the temporary storage and transportation of toxic waste designed to prevent toxic waste leakage;
- have a technical system, equipment or solution to control pollution and protect the environment;
- have an automatic environmental observation system;
- have at least two technicians with intermediate or higher-level degrees in chemistry or environmental science, or a similar discipline; and
- have appropriate plans, processes and programmes for the disposal of toxic waste.

RISK FACTORS FOR THE PROPOSED INVESTMENT

The Group's investment in the Proposed Project will be implemented by Slag Factory through the entering into of the Transaction Documents by the relevant parties. Shareholders should be aware of the risk factors set out below which may be faced by the Group, that may not be exhaustive, when considering the Proposed Investment:

Cyclical nature of metal markets and fluctuations in metal prices

As the revenue of Slag Factory will be derived from titanium and titanium-related operations, part of the Group's future business and results of operations may be dependent on the supply of titanium ores in Vietnam and demand for titanium slags of the PRC and Japan which are the target exported countries of Slag Factory's products. The fluctuations in supply and demand are caused by numerous factors beyond the Group's control, which include, but are not limited to:

- (a) global and domestic economic and political conditions and competition from other energy sources; and
- (b) the rate of growth and expansion in industries with high titanium demand, such as paint and coatings, plastics, paper, ink industries.

There is no assurance that the demand for titanium and titanium-related products in the PRC or Japan will continue to grow, or that such demand for titanium and titanium-related products will not experience excess supply. The supply of titanium ores from mines in Vietnam is also not guaranteed (whether or not the Option Acquisition Completion and thus the completion of acquisition of majority interest in Duong Lam takes place), which can be adversely affected by severe weather, safety hazards in titanium ore mining sites, and other factors.

Significant capital investment and uncertainty of additional financing

The titanium ore processing business requires significant and initial capital outlay. The investment may not be completed as planned, and it is not guaranteed to achieve the intended economic results or commercial viability. It is expected that the Group will continue to require additional working capital and other funding in the investments of Slag Factory. Actual capital expenditures for Slag Factory's business may significantly increase in the future because of various factors beyond the Group's control. It is likely that the Company will seek such funding in the form of either debt or additional equity but there can be no assurance that any such funding would be available. If the Company is unable to raise additional funds to finance such additional expenditure, it will affect the Group's financial condition and its business.

Investments in titanium ore processing business in Vietnam

The Proposed Project constitutes an investment in the sector of titanium ore processing. This business, coupled with the regulatory environment in Vietnam, may pose significant challenges to the Group's administrative, financial and operational resources.

For such reason, the Group intends to engage I3PB, who has experience in mineral ore trading business in Vietnam, as one of the consultants regarding the operation of Slag Factory. Nevertheless, since the Group does not have significant experience in investing in titanium ore processing business in Vietnam, it is not in a position to assure the timing and amount of any return that may be generated from such business, nor is it in a position to control the operation risks, including the risk of obtaining and renewing the relevant licences for Slag Factory's operations, that could lead to a loss. If any project in which the Group attempts to develop does not progress as planned, the Group may not recover the funds and resources it has spent, and this may adversely affect the Group's business and financial performance.

Also, as disclosed, at this stage the target customers of Slag Factory are all titanium dioxide pigment manufacturers in the PRC and Japan. However, as mentioned above, the Group does not have significant experience in Vietnam's business environment and a well-developed customer network in Vietnam as well as the overseas market in relation to the titanium products. At the beginning of Slag Factory's operation, the Group will engage a number of consultants including I3PB who have trading and business experience in Vietnam and also more established client network for titanium products. Yet it is not guaranteed that the Group must be able to secure long term relationships with the target customers, where failing of which will adversely affect the sales of Slag Factory and thus the business of the Group.

Further, as at the Latest Practicable Date, the Target Group has not satisfied all the relevant requirements for construction and establishment of Slag Factory as disclosed in Appendix IV headed "Legal and regulatory requirements for titanium processing business in Vietnam" to this circular. Although as at the Latest Practicable Date, Slag Factory did not anticipate any material legal impediment to obtain those certificates and permits, if any of those certificates or permits is not granted to Slag Factory, Slag Factory will not be allowed to be engaged in titanium process business.

Uncertainty of securing other supplier if the Company would not proceed with the acquisition of Duong Lam

As disclosed in the paragraph headed "Other Transaction Documents — SF JV Agreement - Purpose of Slag Factory" above, if the Company considers as appropriate to exercise the Call Option and proceed with the acquisition of Duong Lam (thus the Initial Target Mines), Slag Factory will operate for the main purpose of serving the Initial Target Mines and in other words Duong Lam will be the major supplier of Slag Factory. Otherwise, if the Company does not proceed with the acquisition of Duong Lam, Slag Factory will be principally engaged in processing titanium slag from purchasing titanium ores in Vietnam. In such case, given the fact that the Company is new to the Vietnam market, the Company will engage consultants (e.g. I3PB) to also identify other suppliers of titanium ores in Vietnam. However, it is not guaranteed that Slag Factory will be able to establish stable relationship with such suppliers, which will lead to adverse results in Slag Factory's operation and thus the performance of the Group.

Uncertainty of obtaining the Mining Licences by Duong Lam

As disclosed in the paragraph headed “Information of the Target Group — Duong Lam” above, Duong Lam has in-principle obtained all the major approvals for applying the Mining Licences in relation to the Target Mines and is currently awaiting the issuance of the Mining Licences which are expected to be obtained in the first half of 2013. Also, as at the Latest Practicable Date, the Company does not foresee any material obstacles for Duong Lam to obtain the Mining Licences. However, it is not guaranteed that Duong Lam must be able to obtain the Mining Licences. If the Mining Licences are not granted to Duong Lam within the exercise period of the Call Option (i.e. one year from the date of the Call Option Deed), the Company may not exercise the Call Option and acquire Duong Lam (and thus the Target Mines). In such case, the Proposed Investment will only include the interest in Slag Factory, which the scale of operation (and thus the expected income generated) may be smaller than the situation that the Company completed the acquisition of Duong Lam as the supply of ores are not certain. This will adversely affect the Group’s business comparatively.

Infrastructure and transportation in relation to Slag Factory

As disclosed in the paragraph headed “Other Transaction Documents — SF JV Agreement — Purpose of Slag Factory” above, the Vietnamese government will be responsible to make investment in the infrastructure (including transportation system) in Song Binh Industrial Zone (i.e. the intended location of Slag Factory). The construction of such infrastructure, its schedule and expected completion date are out of the control of Slag Factory. If any of the infrastructure is not constructed up to standard, or there is any delay in the completion of the infrastructure, the establishment of Slag Factory and its schedule of operation will be affected which will in turn have an adverse impact on the Group’s performance.

Risks in relation to the recoverability of the Loan

As disclosed in the paragraph headed “Loan Agreement” in the “Letter from the Board” of this circular, the Security Documents of the Loan include (i) a pledge of 60% charter capital in Duong Lam executed by TVQ; (ii) a charge of 100% issued share capital of Everwise executed by New Aims; and (iii) the personal guarantee executed by I3PB. As at the Latest Practicable Date, the Company does not foresee any major legal impediments in relation to the enforcement of the Security Documents. However, the following risks affecting the recoverability of the Loan shall be noted:

- (a) as Everwise does not have any material assets and existing business operations, the Group may not be able to obtain assets which have significant value to recover the Loan when enforcing the charge over Everwise’s issued share capital;
- (b) the pledge of 60% charter capital in Duong Lam is governed by Vietnamese Law. The Company has received the opinion from its Vietnam legal adviser on, among others, the validity and enforceability of the said pledge. However, Vietnam is still in the process of developing a comprehensive legal framework. Its laws and

regulations have not been fully developed and their implementation involves a degree of uncertainty. This may affect the enforceability of the said pledge over Duong Lam's charter capital in future; and

- (c) I3PB is an Australian passport holder who is ordinarily resident in Hong Kong. However, if he cannot be located in the event of enforcement of the personal guarantee, the probability of recovering assets from I3PB will be reduced.

Risks Relating to investment in Vietnam

The Vietnamese economy remains susceptible to risks associated with an emerging economy.

Vietnam's economy remains susceptible to risks associated with an emerging economy. Investors in emerging markets, such as Vietnam, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant economic and legal risks. Investors should also note that emerging economies, such as the economy of Vietnam, are subject to rapid change and that the information set out in this circular may become outdated relatively quickly. Furthermore, governmental policy changes and judicial interpretations of applicable laws can produce unexpected consequences which could have an adverse effect on domestic business operations.

The business operations in Vietnam are subject to various government regulations and changes to such regulations.

Slag Factory's business activities in Vietnam are regulated by planning policies and other laws and regulations enacted by the governments and other local regulatory bodies in Vietnam. Those activities may require and are contingent upon, among other things, receipt (and, as applicable, extension or renewal) of all required approvals, licenses, permits and authorisations from the relevant central and local government authorities, including but not limited to investment certificates, land use rights certificates, construction permits, environmental permits, operating licences (in case of mining activities, exploration licences and mining licences), occupational health and safety requirements or equivalent documents, some of which may take longer to obtain than others. In addition, from time to time, the relevant government authorities may impose new regulations on those activities.

Since many of those laws and regulations are relatively new and the legal systems in Vietnam continue to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions.

Depending on the government agency or how an application or case is presented to such agency, Slag Factory may receive less favorable interpretations of laws and regulations than its competitors, or it may receive interpretations that are inconsistent with its interpretations. Such inconsistency arises because the development of the legal system in Vietnam is still at a rapid pace, and there are many grey and unclear provisions which could open for different interpretations. Accordingly, there is a risk that a Vietnamese law requirement could be interpreted differently between a local Vietnamese government agency

and the central authority. There is also no assurance as to the effect of future developments under those legal systems, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to the Group.

Changes or concessions required by regulatory authorities in Vietnam could also involve significant unanticipated costs and delays or prevent the completion of the Proposed Project or, in some circumstances, could result in the loss of an existing license, permit or authorization, any of which may have an adverse effect on the Group's business, financial condition and results of operations in Vietnam.

Slag Factory may be subject to higher compliance costs if Vietnamese environmental protection laws become more onerous or if Slag Factory breaches any such laws, which may materially and adversely affect its operations and financial performance.

Operating titanium ore processing business in Vietnam is subject to Vietnamese environmental protection laws and regulations. These laws and regulations are in place to limit adverse impact on the environment, control environmental degradation and pollution, control environmental hazards and exploitation, encourage the proper use of natural resources and protect biological diversity. Penalties will be imposed in the event of a breach of such laws and regulations.

While, to date, the Target Group has not incurred significant costs complying with environmental, health and safety laws and regulations, new laws and regulations and/or stricter enforcement of, or changes to, existing laws and regulations could lead to the Target Group incurring higher costs in the future. Any of the foregoing factors could adversely affect the Target Group's business, financial condition and results of operations in Vietnam.

High levels of inflation and high interest rates in Vietnam could adversely affect the Group's financial condition and results of operations.

Prior to the recent global economic slowdown and financial crisis, from December 2007 through September 2008, the consumer price index (CPI) in Vietnam rose nearly 21.9%. In 2008, Vietnam's annual inflation rate was 23.0%, significantly higher than the inflation rate of 8.3% in 2007. This rate reflects substantially higher global prices of energy, food and other commodities and increased domestic demand in the first half of 2008. Since the end of 2008, Vietnam Government anti-inflation policies and a decline in global commodity and petroleum prices have led to a decrease in Vietnam's inflation rate. According to the General Statistics Office of Vietnam, the inflation rate measured by the CPI was 6.9% and 9.2% in 2009 and 2010, respectively. Despite the Government policies, Vietnam's inflation rate is still fluctuating significantly and there can be no assurance that the Vietnamese economy will not be subject to future periods of high inflation. Should inflation in Vietnam increase significantly, the costs of Slag Factory, including raw materials, employee compensation, energy, transportation, construction, maintenance and

other overhead expenses are expected to increase. If the Target Group is unable to pass on these increased costs and expenses to its customers, they would have a material adverse effect on the Target Group's financial condition and results of operations.

Furthermore, high inflation rates could have an adverse effect on Vietnam's economy, business climate and consumer confidence generally thereby having a material adverse effect on the Target Group's business, financial condition and results of operations.

In addition, there can be no assurance that the Vietnam Government will not continue to implement anti-inflation policies, including freezing or limiting increases in government-controlled prices for certain commodities and products.

Slag Factory is subject to risks associated with Vietnam labour laws.

Slag Factory may have a large employee workforce in Vietnam for its operations in future. Under Vietnam labour laws, employees are entitled to severance payments in the event of their resignation or the involuntary termination of their services. The size of these payments is determined by a number of factors, such as the length of service, applicable compensation package and the circumstances under which service was terminated, such as whether the employee resigned or was retrenched. Accordingly, in the event that Slag Factory has to make substantial payouts pursuant to Vietnam labour laws, these payouts are likely to have an adverse effect on the Target Group's financial position. Furthermore, the entitlement of Vietnamese employees to such payouts may provide a disincentive for such employees to be committed and effective workers, and may result in disruptions to Slag Factory's operations which could have an adverse effect on the Target Group's business, financial condition and results of operations.

Employees in Vietnam labour union may take collective action.

Vietnamese law allows employees in Vietnam to be unionized and unions are able, under certain conditions, prescribed by Vietnam laws and regulations, to negotiate for the collective interests of union members. In the event of a labour dispute, the employees may call for a strike or a work stoppage if mediation attempts by the relevant authorities do not yield any settlement. Although this is unprecedented, any work stoppage or strike could adversely affect Slag Factory's operations in Vietnam and therefore the Target Group's financial condition and result of operations.

Tax laws in Vietnam are subject to change.

All major tax laws and regulations in Vietnam (including value added tax, corporate income tax, personal income tax and royalty fees) have undergone significant changes since 1 January 2009 and continue to be supplemented and clarified as issues arise over interpretation or implementation. Changes in tax status or the taxation legislation or different interpretations of tax laws and policies in Vietnam generally could adversely affect the Group's performance and results of operations and increase the tax obligations imposed on it.

1. RESPONSIBILITY STATEMENT

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.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive (if any) had, or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they have taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Name of Directors	Capacity	Number of Shares ¹	Percentage of shareholding
Dong Li Yong	Beneficial owner	3,000,000	0.33%
	Beneficial owner	1,489,352 ²	0.16%
	Beneficial owner	<u>3,183,600³</u>	<u>0.35%</u>
		7,672,952	0.84%
Liu Xiao Guang	Beneficial owner	800,000	0.09%
	Beneficial owner	744,676 ²	0.08%
	Beneficial owner	<u>1,591,800³</u>	<u>0.17%</u>
		3,136,476	0.34%
Hu Huaimin	Beneficial owner	1,130,666	0.12%
	Beneficial owner	1,179,070 ²	0.13%
	Beneficial owner	<u>1,591,800³</u>	<u>0.17%</u>
		3,901,536	0.42%
Chen Yunhua	Beneficial owner	3,820,320 ³	0.42%
	Beneficial owner	<u>1,591,800⁴</u>	<u>0.17%</u>
		5,412,120	0.59%
Qi Guang Ya	Beneficial owner	744,676 ²	0.08%
		<u>1,273,440³</u>	<u>0.14%</u>
		2,018,116	0.22%

Notes:

- (1) All interests in the Shares and underlying Shares were long positions. None of the Directors held any short position in the Shares and underlying Shares.
- (2) These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 27 May 2009 under the share option scheme of the Company with an exercise price of HK\$0.854 per Share.
- (3) These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Director on 30 January 2012 under the share option scheme of the Company with an exercise price of HK\$0.5503 per Share.
- (4) These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Director on 19 April 2010 under the share option scheme of the Company with an exercise price of HK\$1.617 per Share.

Save as disclosed above, as at the Latest Practicable date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF INTERESTS BY PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who, direct or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of the Shareholder	Capacity	Number of Shares ¹	Percentage of shareholding
YDHK	Beneficial owner	389,241,333	42.51%
Jiangsu Yue Da Group Company Limited (“Jiangsu YD”)	Interest of a controlled corporation	389,241,333	42.51%

Notes:

- (1) All interests in the Shares and underlying Shares were long positions.
- (2) These Shares are registered in the name of YDHK. Jiangsu YD holds the entire issued share capital of YDHK. Mr Liu Xiaogang, an executive Director, is a director of YDHK. Mr Chen Yunhua, a non-executive Director, is a director of YDHK and the chairman of the board of Jiangsu YD. Mr Qi Quang Ya, a non-executive Director, is a director of Jiangsu YD.
- (3) Save as disclosed above, none of the Directors was a director or an employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as is known to the Directors, other than a Director or chief executive of the Company, there is no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates has any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Enlarged 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 Enlarged Group which contract or arrangement was subsisting and which was significant in relation to the business of the Enlarged Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2012 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) was entered into by the Enlarged Group within the two years preceding the date of this circular and is or may be material:

- (i) the disposal agreement dated 16 August 2011 (“**Disposal Agreement**”) entered into between Feng Hua Group Limited (“**Feng Hua**”) as purchaser and YDM, as vendor, pursuant to which YDM would dispose 41.1% interest in each of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited (collectively the “**Target BVI Companies**”) and a shareholder’s loan of RMB31,902,677.12 owed by the Target BVI Companies to YDM immediately before the disposal to Feng Hua at a total consideration of RMB 91 million;
- (ii) the share purchase agreement dated 26 September 2011 (“**Tong Ling SP Agreement**”) entered into between Ample Source Investment Limited (“**Ample Source**”) as purchaser, an indirect wholly-owned subsidiary of the Company, and Mr Bao Dongbin, Mr Bao Enwei and Mr Bao Jikun as vendors (collectively the “**Vendors**”), pursuant to which Ample Source would acquire an aggregate of 22% of equity interests in Tong Ling Guan Hua Mining Development Company Limited*, a limited liability company established in the PRC which was owned as to 70% by Ample Source, at an aggregate consideration of RMB100 million;
- (iii) the supplemental agreement dated 14 October 2011 to the Tong Ling SP Agreement entered into between Ample Source and the Vendors, pursuant to which the parties thereto have agreed to extend the long stop date of the Tong Ling SP Agreement from 31 December 2011 to 30 June 2012 at nil consideration;
- (iv) the underwriting agreement dated 15 December 2011 and entered into between the Company and YDHK, a then controlling Shareholder as underwriter in relation to an open offer, pursuant to which YDHK agreed to underwrite not less than 228,922,969 new Shares and not more than 234,320,201 new Shares at a commission of two per cent. of the aggregate subscription price of HK\$0.5 per offer share in respect of the number of offer shares underwritten by YDHK;

- (v) the supplemental agreement dated 30 December 2011 to the Disposal Agreement entered into between Feng Hua and YDM to alter the manner of payment of the consideration under the Disposal Agreement so that HK\$30 million shall be paid upon completion of the Disposal Agreement and the remaining balance shall be paid on or before 30 June 2012;
- (vi) the shareholders agreement dated 30 December 2011 (“**2011 Shareholders Agreement**”) entered into between Feng Hua and YDM which regulates, amongst others, shareholders’ rights and the management and operations of the Target BVI Companies;
- (vii) the termination agreement dated 11 June 2012 and entered into between Ample Source and the Vendors to terminate the Tong Ling SP Agreement;
- (viii) the second supplemental agreement dated 29 June 2012 to the Disposal Agreement entered into between Feng Hua and YDM, pursuant to which the last date for payment in full of the remaining balance of the consideration of the Disposal Agreement by Feng Hua to YDM (in cash or other form as mutually agreed by the parties) is extended from 30 June 2012 to 30 June 2014;
- (ix) the supplemental shareholders agreement dated 29 June 2012 to the 2011 Shareholders Agreement entered into between Feng Hua and YDM, pursuant to which the last date for repayment in full of the indebtedness by the Target BVI Companies to YDM is conditionally extended from 30 June 2012 to 30 June 2014;
- (x) the Duong Lam SP Agreement;
- (xi) the SF JV Agreement;
- (xii) the Subscription Agreement;
- (xiii) the Loan Agreement; and
- (xiv) the Call Option Deed.

9. EXPERT AND CONSENT

The following is the qualifications of the expert whose statement has been included in this circular:

Elite Partners CPA Limited

Certified Public Accountants

Elite Partners CPA Limited has given, and has not withdrawn, its written consents to the issue of this circular with the inclusion herein of its letters or references to its names in the form and context in which it respectively appears.

As at the Latest Practicable Date, Elite Partners CPA Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Elite Partners CPA Limited did not have any direct or indirect interests in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary of the Company is Mr Ong Chi King, who is a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of the Association of Chartered Certified Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to 14 days thereafter:

- (a) the memorandum of association and the articles of the Company;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2011;
- (d) the 2012 annual results announcement of the Company dated 28 March 2013 and (if available) the annual report of the Company for the year ended 31 December 2012;
- (e) the accountants’ report prepared by Elite Partners CPA Limited on the Everwise Group which is set out in Appendix II to this circular;

- (f) the letter from Elite Partners CPA Limited regarding the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (g) the written consent referred to in paragraph headed “Expert and Consent” in this Appendix; and
- (h) this circular.

NOTICE OF THE EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



YUE DA MINING HOLDINGS LIMITED

悦達礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 629)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Yue Da Mining Holdings Limited (the “**Company**”) will be held at office nos. 3321–3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on Monday, 6 May 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (with or without modifications) which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the form and substance of the subscription agreement dated 21 January 2013 (as supplemented by a supplemental agreement dated 8 February 2013, collectively as the “**Subscription Agreement**”) and entered into between Yue Da Mining Limited (“**YDM**”) (being a wholly-owned subsidiary of the Company), New Aims Holdings Limited and Everwise Technology Limited (“**Everwise**”), in relation to the subscription of 60% of the issued share capital in Everwise as enlarged upon completion of the Subscription Agreement by YDM at US\$6 million (a copy of the Subscription Agreement has been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular (the “**Circular**”) of the Company dated 17 April 2013 (a copy of which has been produced to the meeting marked “**B**” and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF THE EGM

(b) the directors of the Company (“**Directors**”) be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement and any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the each of such agreements) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

(2) “**THAT:**

(a) the form and substance of the loan agreement dated 21 January 2013 (as supplemented by a supplemental agreement dated 8 February 2013, collectively as the “**Loan Agreement**”) and entered into between YDM as lender and Mineral Land Holdings Limited as borrower, in relation to the grant of a term loan facility up to US\$16 million (a copy of the Loan Agreement has been produced to the meeting and marked “C” and initialed by the chairman of the meeting for identification purpose), as mentioned in the Circular and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Loan Agreement and any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the each of such agreements) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 17 April 2013

Notes:

(1) The register of members of the Company will be closed from 2 May 2013 to 6 May 2013, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the EGM to be held on 6 May 2013, all transfer of Shares accompanied by the relevant share certificates must lodged with the Company’s branch

NOTICE OF THE EGM

share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (“Branch Registrar”) not later than 4:00 p.m. on 30 April 2013. A member entitled to attend and vote at the EGM may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the EGM is enclosed.

- (2) In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Branch Registrar not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

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