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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)**

#### **Discloseable transaction: Disposal of 49% equity interest in Yuechuan JV**

On 27 May 2013, the Vendor (a wholly owned subsidiary of the Company) entered into the Disposal Agreement with Pingchuan Iron and the Purchasers, pursuant to which the Vendor has agreed to dispose of 49% equity interest in Yuechuan JV at an aggregate consideration of RMB56.99 million.

Following completion of the Disposal, Yuechuan JV will cease to be a subsidiary of the Company.

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

#### **DISPOSAL AGREEMENT**

##### **Date**

27 May 2013

##### **Parties**

- (a) Vendor;
- (b) a total of three Purchasers; and
- (c) Pingchuan Iron.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Purchasers and their respective ultimate beneficial owners are Independent Third Parties.

As at the date of this announcement, Yuechuan JV was treated as a non-wholly owned subsidiary of the Company, as the Group has enjoyed the right to appoint a majority of the board of directors of Yuechuan JV under the relevant joint venture agreement and the related

articles of association. Pingchuan Iron holds 51% equity interest in Yuechuan JV and is thus a connected person of the Company by virtue of it being a substantial shareholder of Yuechuan JV (a subsidiary of the Company) under Rule 14A.11 of the Listing Rules. Under the Disposal Agreement, Pingchuan Iron has agreed to waive its preemptive right to the Sale Interest. Under the Disposal Agreement, Pingchuan Iron did not acquire any additional interests in connection with Yuechuan JV.

**Asset to be disposed of:** The Sale Interest, being 49% equity interest in Yuechuan JV held by the Vendor.

The Vendor is a wholly owned subsidiary of the Company. Immediately before Completion, Yuechuan JV is owned as to 51% by Pingchuan Iron and 49% by the Vendor. Its registered capital is RMB100 million. The board of directors of Yuechuan JV consists of five directors, of which two directors were nominated by Pingchuan Iron and three directors were nominated by the Vendor. As the Vendor had the right to appoint a majority of the board of directors of Yuechuan JV, Yuechuan JV was regarded as a non-wholly owned subsidiary of the Company.

For further details of the formation of Yuechuan JV and the progress of development of the Target Mine by Yuechuan JV, please refer to the Company's announcements dated 9 December 2010 and 16 June 2011 respectively and the 2012 annual report of the Company.

### Consideration

The total Consideration for the Disposal is RMB56.99 million. Under the Disposal Agreement, the Consideration is payable by the respective Purchasers within three business days after the fulfillment of all conditions set out below:

- (a) obtaining of all approvals on the Disposal by the commerce department and other relevant authorities;
- (b) completion of foreign exchange registration/approval or filing by the Vendor and Yuechuan JV (where applicable); and
- (c) repayment of all indebtedness owing by the Vendor to Yuechuan JV.

The Consideration shall be paid by each of the Purchasers in the following proportions to a bank account (“**Joint Account**”) maintained by the Vendor (or, as the case may be, Yuechuan JV), which shall be jointly overseen by the Vendor and the Purchasers.

<b>Purchaser</b>	<b>Proportion of equity interest in Yuechuan JV agreed to be purchased by the relevant Purchaser</b>	<b>Amount of Consideration payable by the relevant Purchaser (RMB million)</b>
Purchaser A	19%	22.10
Purchaser B	20%	23.26
Purchaser C	10%	11.63
	<hr/>	<hr/>
Total:	<u>49%</u>	<u>56.99</u>

At Completion (i.e. upon the registration with the local administration of industry and commerce of the Purchasers as the equity-holders of Yuechuan JV), the monies deposited in the Joint Account shall be released to satisfy the Consideration in full.

The Consideration was determined after arm's length negotiation between the Purchasers and the Vendor with reference to, among other things, the unaudited net asset value of Yuechuan JV as at 31 December 2012 which amounted to approximately RMB98.3 million (and 49% of such net asset value is approximately RMB48.2 million). The Directors consider that the Consideration is fair and reasonable to the Group and on normal commercial terms.

### **Completion**

Completion of the Disposal will take place upon completion of the registration with the local administration of industry and commerce for the change of equity holders in Yuechuan JV in respect of the Disposal, which is currently expected to be on or before 30 June 2013.

Following Completion, Yuechuan JV will cease to be a subsidiary of the Company and its shareholding structure will be as follow:

<b>Shareholder</b>	<b>Percentage of shareholding in Yuechuan JV</b>
Pingchuan Iron Purchaser A	51%
Purchaser B	19%
Purchaser C	20%
	<hr/>
	10%
Total:	<hr/> <hr/>
	100%

### **Repurchase right**

Pursuant to the Disposal Agreement, within six months after Yuechuan JV having obtained the mining licence for the Target Mine, the Vendor shall have the right ("**Repurchase Right**") to acquire 10%, 5% and/or 5% equity interests in Yuechuan JV from Purchaser A, Purchaser B and/or Purchaser C respectively, which will represent an aggregate of 20% equity interest in Yuechuan JV ("**Repurchased Interest**") at a price to be agreed by the relevant Purchaser(s) and the Vendor and to be determined based on the valuation of the subject assets as determined by an independent valuer to be appointed by all parties (provided that such repurchase price shall not be lower than the total of (i) the sum of the corresponding proportion of the Consideration, (ii) a premium of 7% per annum, and (iii) annual inflation rate).

If such repurchase right is exercised by the Vendor, the Vendor shall not sell or transfer the Repurchased Interest to any third party within three years after such repurchase.

## INFORMATION ON THE PURCHASERS AND PINGCHUAN IRON

Each of the Purchasers is a company established in the PRC.

To the best knowledge and belief of the Directors, each of the Purchasers is principally engaged in manufacturing and trading of steel.

Pingchuan Iron is a State-owned enterprise under the authority of Yanyuan People's Government, Sichuan Province, the PRC. Pingchuan Iron is principally engaged in iron ore mining and currently holds the exploration right of the Target Mine.

## INFORMATION ON THE GROUP

The Group is principally engaged in the mining as well as exploring and processing of metal minerals and trading of iron ore and related products in the PRC.

As mentioned in the Company's announcement dated 16 May 2013, following the expiry of the operating right in respect of the Group's toll road in mid-2013 without any further extension, the Group has become principally engaged in mining and mineral trading operations only.

## INFORMATION OF YUECHUAN JV

On 20 May 2010, Pingchuan Iron and the Vendor entered into a joint venture agreement with Pingchuan Iron in relation to the formation of Yuechuan JV in the PRC. On 2 July 2010, Pingchuan Iron and the Vendor entered into a supplemental joint venture agreement in relation to the development of the Target Mine by Yuechuan JV. Please refer to the Company's announcement dated 9 December 2010 for further details.

Yuechuan JV was formed as a limited liability company on 8 July 2010. The registered capital of Yuechuan JV is RMB100 million, and is owned as to 49% by the Vendor and 51% by Pingchuan Iron. The Vendor and Pingchuan Iron already completed contribution of RMB49 million and RMB51 million respectively to the registered capital of Yuechuan JV.

Since its establishment, Yuechuan JV has been principally engaging in the development of the Target Mine. Please refer to the Company's announcement dated 16 June 2011 and the Company's annual report 2012 for information in relation to the tasks accomplished by Yuechuan JV regarding the Target Mine.

Based on the unaudited financial statements of Yuechuan JV, (i) as at 31 December 2012 the book value of the total assets of Yuechuan JV is approximately RMB98,367,000; and (ii) the unaudited profit/(loss) on ordinary activities before tax and after tax of Yuechuan JV for the year ended 31 December 2011 and 31 December 2012 are as follows:

	<b>For the year ended 31 December 2012 RMB'000</b>	<b>For the year ended 31 December 2011 RMB'000</b>
Revenue	—	43,693
Profit/(loss) before taxation	(1,295)	162
Profit/(loss) after taxation	(1,422)	162

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

The Directors constantly reviews the Company's business strategy in maximizing the value of the Company and for the Shareholders. The Directors of the Company expect that it will take more time for Yuechuan JV to obtain the mining licence for the Target Mine and to start production. Such delay significantly exceeded the Directors' expectation. It is also likely to incur additional capital expenditure for the operation of Yuechuan JV. The Directors consider that the Disposal and holding of the Repurchase Right (exercisable within six months upon obtaining the mining licence of the Target Mine By Yuechuan JV) may allow the Group to minimise the uncertainty in investment in Yuechuan JV and to reallocate funds for higher return potential investments and as working capital of the Group.

In light of the above, the Directors consider the terms of the Disposal Agreement are fair and reasonable and are in the interest of the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Subject to audit, it is presently estimated that the Group will have a profit arising from the Disposal of approximately RMB8.5 million, which is calculated based on the net proceeds of approximately RMB56.7 million from the Disposal less the book value of the Sale Interest of approximately RMB48.2 million as at 31 December 2012.

Upon Completion of the Disposal, Yuechuan JV will cease to be a subsidiary of the Group.

The net proceeds received by the Group are intended to be used as its working capital and other potential investment.

## **GENERAL**

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules. Accordingly, the Disposal subject to the announcement requirement but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Yue Da Mining Holdings Limited 悦達礦業控股有限公司, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Consideration”	RMB56.99 million, being the total consideration of the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the Sale Interest by the Vendor to the Purchasers pursuant to the Disposal Agreement

“Disposal Agreement”	the sale and purchase agreement dated 27 May 2013 entered into between the Vendor, Pingchuan Iron and the three Purchasers in relation to the Disposal
“Group”	collectively, the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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 connected persons of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Pingchuan Iron”	四川省鹽源縣平川鐵礦 (Sichuan Province Yanyuan County Pingchuan Iron Mine*), which holds 51% equity interest in Yuechuan JV as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	collectively, Purchaser A, Purchaser B and Purchaser C
“Purchaser A”	會理縣財通鐵鈦有限公司 (Huili Caitong Iron and Titanium Co., Ltd.*), an Independent Third Party
“Purchaser B”	成都市天誠源科技有限公司 (Chengdu Tian Cheng Yuan Technology Co., Ltd.*), an Independent Third Party
“Purchaser C”	江油西南鋼鐵有限公司 (Jiangyou Southwest Iron and Steel Co., Ltd.*), an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 49% equity interest held by the Vendor in Yuechuan JV as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Mine”	Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC

“Vendor”	Yue Da Pingchuan Limited, a wholly owned subsidiary of the Company
“Yuechuan JV”	涼山州悅川礦業有限責任公司 (Liangshan Prefecture Yuechuan Mining Co., Limited*), a limited liability company incorporated in the PRC, which was a non-wholly owned subsidiary of the Company immediately before Completion
“%”	per cent.

\* *For identification purposes only*

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

Hong Kong, 27 May 2013

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