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YUE DA INTERNATIONAL HOLDINGS LIMITED

悅達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF A SUBSIDIARY

Joint Financial Advisers



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

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THE DISPOSAL

The Board is pleased to announce that, after trading hours on 23 July 2019, the Company and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of RMB230.8 million.

The Target Company is an investment holding company and its principal asset is 100% of the issued share capital of Baoshan Feilong Nonferrous Metal Co., Ltd, the principal asset of which is the Mining Rights.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser, together with its associates, are interested in 808,979,333 of the shares of the Company (representing approximately 69.22% of the issued share capital of the Company) and is a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal is more than 25% but is less than 75%, the Disposal constitutes a major and connected transaction for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, have been formed to advise the Independent Shareholders on the Share Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Save for the Purchaser and its associates who hold together, directly or indirectly, approximately 69.22% of the entire issued share capital of the Company, no Shareholder has any material interest in the Share Purchase Agreement and the transactions contemplated thereunder. The Purchaser and its associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

The circular containing, among other things, (i) further details of the Share Purchase Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be dispatched to the Shareholders within 15 Business Days from the date of this announcement, being 13 August 2019.

INTRODUCTION

The Board is pleased to announce that, after trading hours on 23 July 2019, the Company and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of RMB230.8 million.

The principal terms of the Share Purchase Agreement are set out below:

THE SHARE PURCHASE AGREEMENT

Date

23 July 2019

Parties

Vendor: The Company

Purchaser: Yue Da Group (H.K.) Co., Limited (collectively, the “Parties”)

Assets to be disposed of

The Sale Shares represents the entire issued share capital of the Target Company. The Target Company is an investment holding company and its principal asset is 100% of the issued share capital of Baoshan Feilong Nonferrous Metal Co., Ltd, the principal asset of which is the Mining Rights, and conducts mining operations in Baoshan City, Yunnan Province of the PRC. Major products include zinc ore concentrates, lead ore concentrates and copper ore concentrates.

Consideration

The Consideration, being an amount of RMB230.8 million, is to be payable by the Purchaser to the Company on Completion and shall be settled in cash or by way of net-off against the outstanding indebtedness owing by the Group to the Purchaser’s Group.

Basis of Consideration

The Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms and with reference to valuation report prepared by an independent valuer.

The Directors consider that the net-off arrangement set out above is in the interest of the Company and the Shareholders as a whole as the outstanding indebtedness owing by the Company to the Purchaser and its associates after Completion will be reduced significantly.

Conditions Precedent

Completion shall be conditional upon the following Conditions:

1. the passing by the requisite majority of shareholders of the Company at the EGM of all resolutions required under the Listing Rules to approve the transactions contemplated under the Share Purchase Agreement;
2. the entering into of the Share Purchase Agreement not affecting the listing status of the Company on the Main Board;

3. All necessary consents, authorisations and approvals relating to the conclusion of the Share Purchase Agreement and its performance having been obtained by the Company on or before the Completion Date; and
4. All representations, undertakings and warranties given by the Company under the Share Purchase Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion Date.

The Purchaser may waive any of the Conditions (except the Conditions set out in paragraph (1), (2) and (3)) by written notice to the Company.

If the Conditions set out above are not fulfilled or waived in writing by the Purchaser at or before 4:00 p.m. on the Long Stop Date, the Share Purchase Agreement shall terminate (save and except certain provisions, including the provision on waiver of conditions, representations, warranties and undertakings, confidentiality and announcements, notices and governing law, which shall survive termination of the Share Purchase Agreement), in which case none of the Company or the Purchaser shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Share Purchase Agreement).

Completion

Completion shall take place on the Business Day upon the fulfillment or waiver (as the case may be) of all the above Conditions (or such other date as the Parties may agree).

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE PARTIES

The Company is an investment holding company incorporated in the Cayman Islands and the issued Shares of which are listed on the Main Board. The Group is principally engaged in the exploration, mining, processing and sale of zinc, lead, and copper in the PRC. It also provides factoring, accounts receivable management and collection and factoring consultancy services.

The Purchaser is a company incorporated in Hong Kong with limited liability and is interested in 808,979,333 of the shares of the Company (representing approximately 69.22% of the issued share capital of the Company) and is a controlling shareholder of the Company within the meaning of the Listing Rules.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company. The principal business of the Target Company is investment holding and its principal asset is 100% of the issued share capital of Baoshan Feilong Nonferrous Metal Co., Ltd, the principal asset of which is the Mining Rights

The unaudited total asset value and net asset value of the Target Group as at 30 June 2019 were approximately HK\$333.1 million and HK\$233.2 million respectively.

For the year ended 31 December 2018, the unaudited net loss (before taxation and extraordinary items) and the unaudited net loss (after taxation and extraordinary items) of the Target Group were approximately HK\$4,693,000 and HK\$4,693,000 respectively. For the year ended 31 December 2017, the unaudited net profit (before taxation and extraordinary items) and the unaudited net profit (after taxation and extraordinary items) of the Target Company were approximately HK\$17,216,000 and HK\$16,222,000 respectively.

REASONS FOR THE BENEFITS OF THE DISPOSAL

Since 2017, several sets of new laws and regulations relating to the preservation of mines came into force which required stringent measures to be put in place to step up the standards of ecosystem and environmental protection, and work safety, which cast a shadow of uncertainty over the mining operations. On the other hand, as the Company has been undertaking the business of commercial factoring from 2017 in line with its plans to change its principal business to that of commercial factoring as previously announced, the Disposal will be conducive to the Company's change of principal business.

The Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of the Independent Financial Adviser and the Purchaser and its associates who have abstained from voting on the resolutions proposed to the Board in relation to the Share Purchase Agreement and the transaction contemplated thereunder) consider that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated to the Company and the Group's financial statements.

The net proceeds of approximately RMB228.8million (after deducting the related expenses in relation to the Disposal) will be used to net-off against the shareholder's loan owing to the Purchaser and its associate by the Company.

Based on, inter alia, the Consideration, the unaudited net assets as at 31 December 2018, and the related expenses for the Disposal, the Group currently expects to record a gain on the Disposal of approximately RMB20.1 million upon Completion which is subject to review by the Group's auditors.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Purchaser, together with its associates, are interested in 808,979,333 of the shares of the Company (representing approximately 69.22% of the issued share capital of the Company) and is a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal is more than 25% but is less than 75%, the Disposal constitutes a major and connected transaction for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

GENERAL

An Independent Board Committee, comprising of all the independent non-executive Directors, have been formed to advise the Independent Shareholders on the Share Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Save for the Purchaser and its associates who hold together, directly or indirectly, approximately 69.22% of the entire issued share capital of the Company, no Shareholder has any material interest in the Share Purchase Agreement and the transactions contemplated thereunder. The Purchaser and its associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

The circular containing, among other things, (i) further details of the Share Purchase Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be dispatched to the Shareholders within 15 Business Days from the date of this announcement, being 13 August 2019.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Baoshan”	Baoshan Feilong Nonferrous Metal Co., Ltd 保山市飛龍有色金屬有限責任公司, a company incorporated in the PRC, which engaged in exploration, mining, processing and sales of metal minerals in the PRC
“Board”	the board of Directors
“Company”	Yue Da International Holdings Limited 悅達國際控股有限公司, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Share Purchase Agreement

“Completion Date”	the Business Day upon the fulfillment or waiver (as the case may be) of all the above Conditions (or such other date as the Parties may agree)
“Conditions Precedent”	The conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “The Share Transfer Agreement” in this announcement
“Directors”	The directors of the Company
“Disposal”	The disposal of the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the Share Purchase Agreement and the Disposal
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) of the Company other than the Purchaser and its associates and any shareholder of the Company with a material interest in the Disposal
“Independent Third Party(ies)”	a party who is not a connected person (within the meaning of the Listing Rules) of the Company and associates (within the meaning of the Listing Rules) of such connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	23 January 2020, or any other date as agreed between the Company and the Purchaser in writing
“Main Board”	the Main Board of the Stock Exchange

“Mine”	the mine located at Hetaoping Mine*, the mining site situated in Yunnan Province;
“Mining Rights”	The mining and exploitation rights in the Mine
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Yue Da Group (H.K.) Co., Limited
“Purchaser’s Group”	The Purchaser and its subsidiaries, excluding the Company and the Group;
“Sale Shares”	the entire issued share capital of, the Target Company
“Share Purchase Agreement”	The share purchase agreement dated 23 July 2019 entered into between the Company and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	Yuelong Limited, a company incorporated in the British Virgin Islands, which principally engaged in investment holding of the entire share capital of Baoshan
“Target Group”	the Target Company and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC

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

* for identification purposes only

Hong Kong, 23 July 2019

As at the date of this announcement, the Board comprises the following members: (a) as non-executive Directors, Mr. Tang Rujun and Mr. Li Biao; (b) as executive Directors, Mr. Liu Debing, Mr. Hu Huaimin, Mr. Cai Baoxiang and Mr. Bai Zhaoxiang; and (c) as independent non-executive Directors, Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.