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 your 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 International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF A SUBSIDIARY; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Joint Financial Advisers

建银国际
CCB International

金聯資本
GLG

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

VEDA | CAPITAL
智略資本

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

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 at 10:00 a.m. on Friday, 18 October 2019 is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the extraordinary general meeting is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

30 September 2019

CONTENTS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

"2018 Disposal"	the Disposal (as defined in the announcement of the Company dated 23 May 2018);
"Articles of Association"	the articles of association of the Company;
"Baoshan Feilong"	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, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
"Completion"	the completion of the Disposal and transactions contemplated under the Share Purchase Agreement in accordance with the terms therein;
"Completion Date"	the date of Completion, or such other date as the Company and the Purchaser may agree in writing;
"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 circular;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the sum of RMB230.8 million to be paid by the Purchaser to the Company for the Sale Shares in such time, mode and manner as set out in the Share Purchase Agreement;
"Director(s)"	the director(s) of the Company;

"Disposal"	the disposal of the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement;
"Disposal Announcement"	the announcement of the Company dated 23 July 2019 in relation to the Disposal and the Share Purchase Agreement;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal and transactions contemplated under the Share Purchase Agreement;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"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 Shareholders"	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the Disposal at the EGM under the Listing Rules;
"Independent Valuer"	GW Financial Advisory Services Limited;

"Latest Practicable Date"	27 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"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 Purchaser in writing;
"Main Board"	the Main Board of the Stock Exchange;
"Mines"	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, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Purchaser"	Yue Da Group (H.K.) Co., Limited;
"Purchaser's Group"	the Purchaser and its subsidiaries, excluding the Company and the Group;
"Remaining Group"	the Group after Completion of the Disposal;
"Sale Shares"	the entire issued share capital of the Target Company;
"Shareholder(s)"	the holder(s) of the share(s) of the Company;
"Share Purchase Agreement"	The share purchase agreement dated 23 July 2019 entered into between the Purchaser and the Company in relation to the Disposal;

* *The English translation is for identification purpose only and not an official registered name.*

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it under 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;
"Yueda Factoring"	Yueda (Shenzhen) Commercial Factoring Co., Ltd., a company established in the PRC and a subsidiary of the Group, which principal business is, among other things, commercial factoring;
"%"	per cent.

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)

Non-executive Directors:
Mr. Tang Rujun
Mr. Li Biao

Executive Directors:
Mr. Liu Debing
Mr. Hu Huaimin
Mr. Bai Zhaoxiang
Mr. Cai Baoxiang

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

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong
Office nos. 3321-3325
33/F, China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road
Central
Hong Kong

30 September 2019

To the Shareholders,
Dear Sir or Madam,

(I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF A SUBSIDIARY; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Disposal Announcement. As disclosed in the Disposal Announcement, 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 purpose of this circular is to provide you with information relating to the Share Purchase Agreement.

THE SHARE PURCHASE AGREEMENT

Set out below are the principal terms of the Share Purchase Agreement:

Date:	23 July 2019 (after trading hours)
Vendor:	The Company
Purchaser:	Yue Da Group (H.K.) Co., Limited

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, 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.

Overview of the Mine

The mine is located in Longyang District of Baoshan City in Yunnan Province of the PRC. The Mine can be accessed through the highway from Kunming City via Chuxiong City, Xiangyun City and Dali City to Baoshan City.

Mining Rights

The Mine is currently operated under mining permit no. C5300002010123240112381, effective from 23 October 2017 to 23 October 2019, granted by Ministry of Land and Resources of Yunnan Province, PRC. Application of renewal for the mining permit has been made by the Target Company on 20 March 2019. Details of the mining permit is shown as below:

Permit Holder:	Baoshan Feilong
Issuer:	Ministry of Land and Resources of Yunnan Province
Location:	Longyang District, Baoshan City, Yunnan Province
Name of Mine:	Baoshan Feilong Nonferrous Metal Co., Ltd Hetaoping Lead and Zinc Mine

Types of Minerals:	Lead, Zinc
Mining Method:	Underground Mining
Production Scale:	90,000 tonnes per Year
Mining Area:	5.0096 square kilometres
Validity Period:	23 October 2017 to 23 October 2019

Ore resource and reserve estimates

With reference to the independent technical adviser report on the Mine prepared by SRK Consulting in June 2006 (the "Technical Report"), which is the latest Technical Report available to the Company, Company estimated that, following production of the Mine, the ore reserve is estimated at approximately 5,700,000 tonnes, which is based on the resource estimate of approximately 6,900,000 tonnes with reference to the Technical Report, and a dilution rate of 18% and a mining loss rate of 30% during the ore mining process based on historical data on the Mine's characteristics.

Company estimated that, the accumulated ore mining in the Mine from 2006 to 31 March 2019 amount to 1,558,768 tonnes, and the remaining ore reserve available for mining is approximately 4,200,000 tonnes as at 31 March 2019, as based on the ore reserve minus the mined amount as at 31 March 2019.

Ore Grade and Recovery Rate

Based on the historical operating record and ore processing technology, the Company estimated that, ore grade and recovery rate of lead, zinc and copper concentrates are based on the historical ore grade and recovery rate. Ore grade of lead, zinc and copper are about 1.44%, 5.36% and 0.15% and the recovery rates are about 60%, 81% and 60%, respectively.

Mining life

Based on the historical operating record and processing capacity, the Company estimated that an annual ore mining capacity amounted to 200,000 tonnes starting from the year 2021. According to the Company estimation, the economic life of the Mine is through the year 2040, when its ore reserve amount of approximately 5,700,000 tonnes have been fully extracted.

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 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 Company considered that, given no material changes in operation, financial or trading position of the Disposal Group between 31 March 2019 (the effective date of the valuation report by the Independent Valuer) and execution of the Share Purchase Agreement, it is appropriate to determine the consideration with reference to the valuation.

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 Condition set out in paragraph (1), (2) and (3)) by written notice to the Company.

As at the Latest Practicable Date, save for the Condition under paragraph 3 above which has been satisfied, none of the Conditions set out above have been fulfilled.

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 an investment holding company incorporated in Hong Kong with limited liability and, 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. The Purchaser is principally engaged in the business of investment holding and is wholly owned by Jiangsu Yue Da Group Company Limited, which is controlled by the Yancheng Municipal People's Government of the PRC.

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.

In accordance with the unaudited financial information of Target Group is set out in the Appendix II of this Circular, the unaudited total asset value and net asset value of the Target Group as at 30 June 2019 were approximately RMB113.2 million and RMB61.8 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 RMB3,337,000 and RMB2,781,000 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 RMB15,573,000 and RMB12,881,000 respectively.

REASONS FOR AND 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. After the Completion, the Group will cease operation of its mining segment, the Group has shifted its business focus to factoring business, and will focus on the factoring business in the future.

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 outstanding indebtedness owing by the Group to the Purchaser's Group.

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.

After Completion, the Company will continue the operation of its commercial factoring business through Yueda Factoring. Yueda Factoring conducts its factoring business in the PRC within the scope of its business license. The Directors having made all reasonable enquiries confirmed that, save for the aforementioned business no other approval, license or permit is required for the operations of its factoring business in accordance with PRC laws and regulations.

The current business model of the Company's factoring business is that the Company, through Yueda Commercial Factoring, shall provide accounts receivables financing, accounts receivable management services and accounts receivable collection services ("Factoring Services"), and shall grant revolving loan credit limits to its factorees.

Yueda Factoring (as the factor) provides financing and accounts receivable management services to its customers (as seller) in return for interest and administration fee income payments with comprehensive rates of return ranging from approximately 9.5% to 11.5%, composed of interest rate per annum (approximately 7% to 9%), and factoring administration fee income per annum (approximately 2% to 4%).

The major customers of the Company's factoring business consist of state owned enterprises and other sizeable companies, which are relatively stable and more financially resilient, and are as follows:

Client	Additional information
Nanjing Lunsun Electronic Technology Co., Ltd	a company established in the PRC, which is principally engaged in the research and development and sales of TFT, LCD panel and backlight module, digital media player, tablet, monitor and LED lighting products. Nanjing Lunsun Electronic Technology Co., Ltd. is beneficially owned as to 100% by Dafeng City People's Government
Dafeng Hairong International Trading Co., Ltd	a company established in the PRC, which is principally engaged in the trading, import and export of commodities including metal, non-metal, coal and agricultural products. Dafeng Hairong International Trading Co., Ltd. is beneficially owned as to 100% by Dafeng City People's Government
China National Forest Products Corporation	a company incorporated in the PRC, which is principally engaged in importing and exporting timber and various forest products, paper and paper products, coal and rubber, exploitation of forest resources abroad and providing storage and logistics services of related products. China National Forest Products Corporation is beneficially owned as to 100% by the State-owned Assets Supervision and Administration Commission of the State Council

Client	Additional information
Shanghai Lineng Enterprise Co., Ltd	a company established in the PRC, which is principally engaged in trading, import and export of products including construction materials, metals, electronic products and chemical products. Shanghai Lineng Enterprise Co., Ltd is beneficially owned as to 83.7% by Mr. Hu Ling Feng who is an independent third party of the Group
Jiangsu Fengyuan Thermal Power Co., Ltd	a company incorporated in the PRC, which is principally engaged in the production and sales of steam, production of electricity and sales of coal. Jiangsu Fengyuan Thermal Power Co., Ltd. is beneficially owned as to 100% by Mr. Yang Yanliang who is an independent third party of the Group

Furthermore, under the factoring contracts, Yueda Factoring also provides accounts receivable management and debt collection services to its customers. Yueda Factoring receives service fees for the provision of such services to its customers, it collects one-off service fee at completion of such services or progress payments over the term of the contracts.

The terms of factoring facilities range from 6 months to 12 months.

The factoring business of the Company is led by an experienced management team, including:

- Mr. Cai Baoxiang, being an executive director and vice chief executive of the Company, and the chairman of Yueda Factoring, has more than 20 years' experience in banking and business factoring, and has won awards such as China Business Factoring Industry Contribution Award in 2017 and China Business Factoring Industry 5th Outstanding Contribution Individual in 2017 Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University majoring in Financial Management;

- Mr. Pan Mingfeng, being the general manager of Yueda Factoring, has more than 10 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Factoring, including the abovementioned Telecommunication Installment Services;

- Mr. Wang Huan, being the deputy general manager of Yueda Factoring, has over 10 years of experience in the financial industry, and has obtained his MBA of Hong Kong Baptist University in 2015 Mr. Wang is responsible for overseeing overall business development strategies and major business decisions of Yueda Factoring, making use of his extensive experiences and network in the financial industry; and

- Ms. Gao Ying being the chief risk officer of Yueda Factoring, has 5 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she has taken part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Factoring.

The Group maintains rigorous risk control measures to reduce risks associated with factoring business. Prior to the provision of Factoring Services and approval of the grant of revolving loan credit facilities to its factorees, the factoring business team will conduct due diligence on the customer and the risk compliance department will perform a risk assessment on the proposed transaction. The due diligence report and risk assessment report together with the business application form approved by, among others, the heads of factoring business department and risk compliance department and the General Manager, will be submitted to the Review Committee of Yueda Commercial Factoring, comprising five members including the Chairman, the directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the Review Committee of Yueda Commercial Factoring are obtained. The agreement is drafted by the legal department of the Group. The agreement serves to protect the Group from operational risks. The release of the factoring loan shall be approved by the head of factoring business department, the Financial Controller, the General Manager and the Chairman of Yueda Commercial Factoring.

Yueda Factoring will implement the provision of installment related services for a leading telecommunication services provider in the PRC, which is expected to commence in the fourth quarter of 2019.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this circular, 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, when aggregated with the relevant percentage ratios in respect of the 2018 Disposal, is more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

INDEPENDENT FINANCIAL ADVISER

Veda Capital Limited has been appointed as the Independent Financial Adviser by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the Disposal. The letter from the Independent Financial Adviser is set out on pages 18 to 39 of this circular.

EGM

The EGM will be convened by the Company at office nos. 3321-3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on Friday, 18 October 2019, at 10:00 a.m. at which resolution will be proposed to consider and, if thought fit, approve the Share Purchase Agreement and the Disposal. Notice convening the EGM has been despatched to the Shareholders on 30 September 2019, a copy of which is set out on pages EGM-1 to EGM-2 of this circular. In accordance with the Listing Rules, the Purchaser, together with its associates, are interested in approximately 69.22% of the Company as at the Latest Practicable Date, and the Purchaser and its associates are required to abstain from voting on the ordinary resolution approving the Share Purchase Agreement and the Disposal.

The proxy form for use at the EGM is enclosed with the notice of the EGM despatched to the Shareholders on 30 September 2019. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return them as soon as possible to the Company's Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and save as disclosed above, no Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder, and accordingly no other Shareholder is required to abstain from voting on any of the resolution(s) to be proposed at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) considered that the terms of the Share Purchase Agreement and the Disposal were negotiated on an arm's length basis, in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Purchase Agreement and the Disposal.

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 Group. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

ADDITIONAL INFORMATION

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

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

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)

30 September 2019

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF A SUBSIDIARY

INTRODUCTION

We refer to the circular dated 30 September 2019 (the "Circular") of Yue Da International Holdings Limited (the "Company") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Under the Listing Rules, the terms of the Share Purchase Agreement and the Disposal are required to be approved by the Independent Shareholders at the EGM. We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement and the Disposal are fair and reasonable and to make recommendation as to whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the Share Purchase Agreement and the Disposal.

Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Purchase Agreement and the Disposal.

We wish to draw your attention to the letter from the Board (as set out on pages 5 to 15 of the Circular), the letter from the Independent Financial Adviser (as set out on pages 18 to 39 of this Circular) and the appendices to the Circular.

RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser, we consider that the terms of the Share Purchase Agreement are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Yue Da International Holdings Limited
Cui Shuming
Liu Yongping
Cheung Ting Kee
Independent Non-Executive Directors

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Suites 1001-1002, 10/F, 299 QRC
299 Queen's Road Central
Hong Kong

30 September 2019

To: *Independent Board Committee and the Independent Shareholders of Yue Da International Holdings Limited*

Dear Sirs/Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the circular to the Shareholders dated 30 September 2019 (the "Circular"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 23 July 2019 (after trading hours of the Stock Exchange), 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 RMB230,800,000.

The Disposal constitutes a very substantial transaction for the Company as one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal after aggregated with the relevant percentage ratios in respect of the 2018 Disposal is more than 75% and is subject to announcement requirement under Chapter 14 of the Listing Rules. Furthermore, as at the Latest Practicable Date, the Purchaser, together with its associates, with an interest of 808,979,333 Shares which represents approximately 69.22% of the issued share capital of the Company, is a controlling Shareholder and a connected person of the Company within the meanings of the Listing Rules. Thus, the Disposal also constitutes a connected transaction for the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened, at which the relevant resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, by way of poll, the Disposal. For those Shareholders who have a material interest in the Disposal are required to abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, save for the Purchaser and its associates who are considered to have a material interest in the Disposal will be required to abstain from voting on the resolution for approving the Disposal at the EGM, no other Shareholders are required to abstain from voting on the relevant resolution.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee, has been established to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement and the Disposal are fair and reasonable and to make recommendation as to whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to consider, and if though fit, approve the Share Purchase Agreement and the Disposal. We, Veda Capital Limited, have been approved and appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for the appointment of the Independent Financial Adviser on the Disposal, during the last two years, we were engaged as the independent financial adviser to the Company to express opinions and recommendation on a connected transaction of the Company in regards of the 2018 Disposal as detailed in the circular of the Company (of which our letter forms part) dated 29 June 2018. Apart from normal professional fees paid and payable to us in connection with the appointments as the independent financial adviser in relation to the Disposal and the 2018 Disposal, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; hence, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Company and the Directors, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading.

We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors, which have been provided to us. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Directors, nor have conducted any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading. This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Disposal, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, we have taken into the consideration the following principal factors and reasons:

Background information

Information of the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in (i) the exploration, mining, processing and sale of zinc, lead and copper in the PRC (the "Mining Operations"); and (ii) providing factoring, accounts receivable management and collection and factoring consultancy services (the "Factoring Business").

For the year ended 31 December 2018 (the "FY 2018"), the Mining Operations was mainly operated by Baoshan Feilong, conducts mining operations in Baoshan City, Yunnan Province of the PRC. Upon Completion, the Group will completely cease the business of Mining Operations and together with the previous corporate transactions of the Group (i.e. the 2018 Disposal), the Group will complete its business transformation given that the operation conditions and environment for the Mining Operations remained uncertain (to be discussed in the sub-section "Reasons for and benefits of the Disposal" in this letter below) and are therefore endeavored to seek business opportunities in the financial industry to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the Shareholders as a whole. As discussed in the sub-section "Financial and trading prospect of the Group" of Appendix I of the Circular, the Group has been undertaking the business of commercial factoring from 2017 and is intended to continue to focus on the Factoring Business in the future. The Company will continue the operation of the Factoring Business in the PRC through Yueda Factoring.

Yueda Factoring (as the factor) provides financing and accounts receivable management services to its customers (as seller) in return for interest and administration fee income payments with comprehensive rates of return ranging from approximately 9.5% to 11.5%. Furthermore, under the factoring contracts, Yueda Factoring also provides accounts receivables management and debt collection services to its customers in return for one-off service fee at completion of such services or progress payments over the term of the contracts.

Financial information of the Group

We have set out the key audited financial information of the Group for the six months ended 30 June 2019 and the two financial years ended 31 December 2018 respectively.

	For the six months ended 30 June 2019	For the years ended 31 December 2018	2017
	RMB'000	*RMB'000*	*RMB'000*
Revenue	42,552	87,429	79,477
Profit/(Loss) attributable to owners of the Company	3,924	(46,515)	(25,736)

	As at 30 June 2019	As at 31 December 2018	2017
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,049,956	1,163,835	1,155,466
Total liabilities	709,195	826,998	741,343
Net assets	340,761	336,837	414,123

For the six months ended 30 June 2019

The Group recorded a revenue for the six months ended 30 June 2019 in the amount of approximately RMB42.6 million, representing a decrease of approximately 13.7% as compared to that of for the six months ended 30 June 2018 in the amount of approximately RMB49.3 million. The decrease in revenue was the result of the decreased in revenue generated from the Mining Operations for approximately 48.6%.

The Group recorded a profit attributable to owners of the Company for the six months ended 30 June 2019 in the amount of approximately RMB3.9 million from a loss attributable to owners of the Company for the six months ended 30 June 2018 in the amount of approximately RMB17.4 million due to (i) the segment profit recorded in the amount of approximately RMB21.5 million from the Factoring Business as compared to a segment profit in the amount of approximately RMB13.4 million; and (ii) the net foreign exchange gains recorded in the amount of approximately RMB2.6 million as compared to net foreign exchange losses in the amount of approximately RMB19.6 million.

For the six months ended 30 June 2019, the operating revenues from Mining Operations and Factoring Business contributed approximately 40.0% and approximately 60.0% to the total revenue of the Group respectively. For the six months ended 30 June 2019, Mining Operations recorded a segment loss of approximately RMB3.2 million and the Factoring Business recorded a segment profit of approximately RMB21.5 million.

The Group's unaudited total assets and total liabilities as at 30 June 2019 amounted to approximately RMB1,050.0 million and approximately RMB709.2 million respectively. The Group's unaudited net assets value decreased by approximately 13.9% to approximately RMB340.8 million as at 30 June 2019 from approximately RMB395.8 million as at 30 June 2018.

For FY 2018 and FY 2017

The Group recorded a revenue for FY 2018 in the amount of approximately RMB87.4 million, representing an increase of approximately 9.9% as compared to that of for the year ended 31 December 2017 (the "FY 2017") in the amount of approximately RMB79.5. The increase in revenue was mainly due to the increase in revenue contributed from the Factoring Business for approximately 583.3%.

The Group recorded a loss attributable to the owners of the Company for FY 2018 in the amount of approximately RMB46.5 million from a profit attributable to the owners of the Company for FY 2017 in the amount of approximately RMB45.1 million. The loss was mainly contributed from the Mining Operations that was resulted from the increase in mining costs that included, but not limited to, (i) as calculated on a per unit basis, an increase of unit mining cost to approximately RMB217.7 per ton in FY 2018 (from approximately RMB136.9 per ton in FY 2017) which represented an increase of approximately 59.0%; and (ii) the additional mining costs that were incurred for fulfilling the requirements of environment protection related regulations in the PRC. According to the annual report of the Company for the year ended 31 December 2018, the Mining Operations recorded a segment loss of approximately RMB5.5 million and the Factoring Business recorded a segment profit of approximately RMB33.0 million in FY 2018 respectively.

For FY 2018, the operating revenues from Mining Operations and Factoring Business contributed approximately 48.5% and approximately 51.5% to the total revenue of the Group respectively. For FY 2018, Mining Operations recorded a segment loss of approximately RMB5.5 million and Factoring Business recorded a segment profit of approximately RMB33.0 million. For FY 2017, Mining Operations contributed most of the revenue to the Group's record of approximately 92.7% as the Factoring Business was conducted in the second half of that year. For FY 2017, Mining Operations recorded a segment loss of approximately RMB136.7 million and Factoring Business recorded a segment profit of approximately RMB4.3 million. The Group's audited total assets and total liabilities as at 31 December 2018 amounted to approximately RMB1,163.8 million and approximately RMB827.0 million respectively. The Group's audited net asset value decreased by approximately 18.7% to approximately RMB336.8 million as at 31 December 2018 from approximately RMB414.1 million as at 31 December 2017. The decrease in the Group's net assets value was mainly due to exchange loss of approximately RMB39.8 million and decrease in non-controlling interest as a result of disposal of a non-wholly owned subsidiary.

Based on the above financial information, we noticed that (i) the revenue contributions from the Factoring Business has been increasing while the Mining Operations has been diminishing; (ii) the Factoring Business has been generating segment profit ever since it was conducted by the Group in the second half of FY 2017; and (iii) the Mining Operations has recorded segment loss since FY 2017 and there is no guarantee that a turnaround will happen in the near future.

Information of the Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability and, 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. The Purchaser is principally engaged in the business of investment holding and is wholly-owned by Jiangsu Yue Da Group Company Limited, which is controlled by the Yancheng Municipal People's Government of the PRC.

Information of the Target Group and the Mine

As set out in the Board Letter, the Target Company, a wholly-owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability. The principal business of the Target Company is investment holding and its principal asset is 100% of the issued share capital of Baoshan Feilong, the principal asset of which is the Mining Rights. The major products of Baoshan Feilong include ore concentrates of zinc, lead and copper (the ''Non-Ferrous Metals Products'').

The Mine is located in Longyang District of Baoshan City in Yunnan Province of the PRC and currently operated under the Mining Rights granted by Ministry of Land and Resources of Yunnan Province, PRC and effective until 23 October 2019. In general, mining rights offers the rights to conduct mining activities in various locations in the PRC. As advised by the Company, an application of renewal for the mining permit has been made by the Target Company on 20 March 2019 and that the Directors are of the opinion that the Group will be able to continuously renew the Mining Rights and the business licenses for the respective subsidiaries to continue the Mining Operations without significant costs.

As described in the Board Letter, the Company estimated the Mine's (i) ore resource and reserve estimates; (ii) ore grade and recovery rate; and (iii) mining life by relying on its historical data on the Mine's characteristics calculated based on an independent technical adviser report on the Mine prepared by SRK Consulting in June 2006 (the ''Technical Report'') which is the latest Technical Report available to the Company.

We are in the view that although the data and information of the Mine were originated from the Technical Report in June 2006, the information in the Technical Report (i) was conducted by independent technical advisers by SRK Consulting; (ii) was used as a reference and the figures of the relevant mining information was updated throughout the years by the historical mining data of the Target Company; and (iii) was the most readily available option available to the Board and the Target Company such that we consider the use of the Technical Report together with historical mining data is fair and reasonable in having a general estimate of the resources in the Mine. Please also refer to the sub-section headed under "The Share Purchase Agreement" in the Circular for more information of, including but not limited to, the Mine.

Financial Information of the Target Group

Based on the unaudited consolidated financial statement of the Target Group as set out in Appendix II in the Circular, the financial information of the Target Group for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 is as follows:

	For the six months ended 30 June	**For the year ended 31 December**	
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Net (loss)/profit before taxation	(4,039)	(3,337)	15,573
Net (loss) profit after taxation	(3,608)	(2,781)	12,881

	As at 30 June	**As at 31 December**	
	2019	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Total assets	113,247	288,139	334,219
Net assets	61,836	203,223	206,004

The Target Group recorded an unaudited net loss (after taxation and extraordinary items) of approximately RMB2.8 million for the financial year ended 31 December 2018 whilst it recorded an unaudited net profit (after taxation and extraordinary items) of approximately RMB12.9 million for the financial year ended 31 December 2017.

The unaudited total asset value and net asset value of the Target Group as at 30 June 2019 were approximately RMB113.2 million and approximately RMB61.8 million respectively.

Reasons for and benefits of the Disposal

We were given to understand by the Company that several sets of laws and regulations relating to the preservation of mines were introduced and came into force which required stringent measures to be put in place to set up the standards of ecosystem and environment protection and work safety in recent years that resulted in the increasing costs of Baoshan's mining. The Directors are in the view that, as the operation conditions and environment for the Mining Operations remained uncertain in the coming years, the Disposal is conducive to the development of the Company and in the interest of the Company and the Shareholders as a whole.

During our research we noticed that the PRC government had been implementing stricter obligations on enterprises regarding pollution control and prevention and imposing various tax penalties. The State Council of The People's Republic of China approved the Environmental Protection Tax Law of the PRC stating that, with effective on 1 January 2018, enterprises, public institutions and other business operators who discharge noise, air or water pollutants and solid waste directly into the environment would have to pay an additional tax penalty. As the PRC shifting more focus on environmental awareness and issues over the years, the standards and requirements for environment protection have been getting stricter and these tightened rules on the environmental have laid additional operating and administrative costs (i.e. upgrade and/or renewal of respective machineries and technologies) pressure to the mining companies to attain to the requirements. Meanwhile, according to the statistics of The National Bureau of Statistics of the PRC, the mining cost for enterprises above designated size (i.e. with revenue of over RMB20 million or more for its financial year) in 2017 and 2018 increased on a year-to-year rate of approximately 7.9% and approximately 2.9% respectively.

Furthermore, levels of uncertainties have grown on the global trading of non-ferrous metals consumer goods, such as products of electromechanical and automobiles, as the international economic situation has become more complicated due to the ongoing trade-war between two of the exporting and importing leaders of the world in China and the United States. The trade frictions among these developed countries have further imposed more challenges to the development of the mining of the non-ferrous metals industry.

We have also referenced to the announcement of the Company dated 23 May 2019 (the "Tender Announcement") in relation to, including but not limited to, the Company's potential disposal of its 100% equity interest in the Target Company through a public tendering process (the "Tendering") conducted during 24 May 2019 to 21 June 2019 on the Shenzhen United Property and Share Rights Exchange (the "SUPSR Exchange") at an initial bidding price of RMB230,800,000. As advised by the Company, the Company did not receive any bid offers in the Tendering process. According to our research on the SUPSR Exchange, it is an independent and government (i.e. Shenzhen Municipal Government) authorized platform that provides, among other matters, property rights transfer, asset disposal and public tendering services for enterprises in the PRC.

Having considered, (i) the environmental protection related policies imposed by the PRC government surged the operation costs and therefore the respective risks and difficulties in sustaining the business of the Mining Operations; (ii) the uncertainties in the development of the non-ferrous metals mining industry as affected by the international economic environment; (iii) financial performance of the business segments of the Group; and (iv) little interest was drawn from the open market in respect of the business of the Target Group as the Group did not receive any bid offers in the Tendering with an initial bidding price close to the amount of the Consideration such that it may be hard for the Group to receive favorable offers in the foreseeable future without substantial improvement in the Mining Operations, we concurred with the view of the Directors that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

Principal terms of the Share Purchase Agreement

Date: 23 July 2019 (after trading hours)

Parties

Vendor:	the Company
Purchaser:	Yue Da Group (H.K.) Co., Limited

Assets to be disposed of

The Sale Shares represents the entire issued share capital of the Target Company. The Target Company's principal asset is 100% of the issued share capital of the Baoshan Feilong, the principal asset of which is the Mining Rights. The major products of Baoshan Feilong are the Non-Ferrous Metals Products as mentioned in the sub-section "Information of the Target Group" in this letter. Upon Completion, the Company will cease to hold any interest in the Target Company.

Consideration

The Consideration, being an amount of RMB230,800,000, is to be payable by the Purchaser to the Company on Completion and shall be settled by way of net-off against the outstanding indebtedness owing by the Group to the Purchaser's Group.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and with reference to the valuation report (the "Valuation Report") prepared by an independent valuer (the "Independent Valuer").

Evaluation of the Consideration

In assessing the fairness and reasonableness of the Consideration, we have primarily considered (i) the valuation performed by the Independent Valuer for the market value of the Target Group as at 31 March 2019 (the "Valuation"); and (ii) the price-to-book ratio (the "P/B Ratio") benchmark analysis of the Target Group.

(I) Comparing with the Valuation

Pursuant to the Valuation Report, the Valuation (rounded) was appraised as RMB230,800,000 as at 31 March 2019. The Consideration equals to the appraised value of the Valuation (rounded).

The Company confirms that it has not been deemed as a mineral company under Chapter 18 of the Listing Rules and its transactions do not require to comply with the requirements under Chapter 18 of the Listing Rules.

The Independent Valuer and its engagement

For our due diligence purpose, we have reviewed the Valuation Report and the underlying valuation workings and discussed with the Independent Valuer, including, among other things:

(a) The qualification and experience of the Independent Valuer in relation to the Valuation

We are given to understand that Ms. Kelly Rui, who acts as the engagement lead principal of the Valuation and the director of the Independent Valuer, has rich experience in performing valuation of, including but not limited to, business enterprises and resource assets. Ms. Kelly Rui has more than 10 years experiences and was formerly an Associate Director in the Financial Advisory Services of Deloitte Touche & Tohmatsu China. She is also a charter holder of Chartered Financial Analyst.

Also, Mr. Wee Kang Keng, who acts as the engagement quality assurance reviewer of the Valuation and the chief executive officer of the Independent Valuer, has extensive experience in valuation covers, including but not limited to, business enterprises and resource assets. Mr. Wee Kang Keng has nearly 30 years experiences in valuation, banking and finance industry and was previously a Partner in the Financial Advisory Services of Deloitte Touche & Tohmatsu China. He is also a member of the Valuation Advisory Panel of the Hong Kong Institute of Certificate Public Accountants since 2010 and is a full member of the Treasury Markets Association.

In considering that both Ms. Kelly Rui and Mr. Wee Kang Keng (i) have been involved in the impairment test of assets of the Group; (ii) were the valuers for the 2018 Disposal, a transaction that is considered to be similar to the Disposal; (iii) have rich experience in performing valuations in business enterprises; and (iv) have a good understanding on the operations of the Target Group and the characteristics of the Mine, we consider the Independent Valuer has sufficient expertise to perform the Valuation for reference by the Board.

(b) The terms of engagement of the Independent Valuer with the Company in connection with the Valuation and its independency

We consider that the scope of valuation work per the engagement letter entered into between the Company and the Independent Valuer are appropriate for the purpose of the Disposal. Save for such engagement and the engagements of the Independent Valuer with the Company in connection with the valuation tasks regarding (i) the 2018 Disposal; and (ii) the Company's annual financial reporting for two years ended 31 December 2017, the Independent Valuer has confirmed that they are independent from the Company, the Target Group, the Purchaser and any of their respective associates.

As discussed above, we have enquired the Independent Valuer as to its qualifications, expertise and independence and reviewed the Independent Valuer's terms of engagement (including its scope of work), we were not aware of any irregularities and issue of independence during our discussion with the Independent Valuer or in our review of its qualifications.

(c) Valuation methodology and procedures adopted

As noted from the Valuation Report, the Valuation is performed on a desktop basis subsequent to a site inspection on 9 April 2019 and had performed interviews, viewed documented evidence such as mining permit, financial reports and researched public sources as considered necessary.

We have also discussed with the Independent Valuer on the valuation methodology for the Valuation and are given to understand that the Valuation was prepared with reference to the general guidelines set by the International Valuation Standards (''IVS'') issued by International Valuation Standards Council. As defined in the IVS, market value is ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'' and there are three generally accepted approaches to estimate the enterprise value of the Target Group, including the market approach, income approach and cost approach.

As advised by the Independent Valuer, in estimating the Valuation, the market approach was considered not appropriate as there were insufficient similar relevant mine transactions to form a reliable basis whereas the cost approach was also not considered appropriate as it ignores the future economic benefits of the Target Group.

The Independent Valuer adopted the income approach to estimate the Valuation. The income approach – discounted cash flow method involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. The IVS states that the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

For the purpose of the analysis of the Independent Valuation, the Valuer has relied on the Technical Report and the information provided by the management of Baoshan Feilong including but not limited to, production schedules, pricing policy, costs, expenses and capital expenses in order to reflect the estimation of the Mine's future operation 1 April 2019 to 2040, excluding the forecast prices of lead, zinc and copper concentrates. As explained by the Company, the estimation of the mineral resource in the Mine as stated in the Technical Report was calculated back in 2004 and since then, the Mine has been in production from 2006 to 2019, with 1,558,768 tonnes ore mined by the Company as at the date of the Valuation. As such, with gradual mining operation, attributes of past mineral resources can be known with higher certainty as lead, zinc and copper veins/deposits are discovered in the mining process. The Company confirms that based on their operating experience in the ability to technically and economically extract the Mine, it is reasonable to assume that the previously assessed resources, after adjustments for dilution and mining loss rate, approximates that of the ore reserves as attributes regarding tonnage, densities, shape, physical characteristics grade and mineral content can be estimated with increased levels of confidence and the proven economic feasibility of extraction as evidenced by the many years of proven extraction. This proven extraction record and in-house technical assessment are deemed by the management of the Company to be more accurate than the estimation work conducted in the past and thus, the Valuation and the reliability of the forecast is not considered to be affected. The Independent Valuer assessed the Company's assumption to reclassify previously classified Resources during the Mine's exploratory stage to Reserves following successful production stage, and were also advised by the Company that the operating results of the Mine for the past many years of production has been subjected to proper external audit. The Independent Valuer does not find the Company's assumption of Reserves for the purpose of valuation of the Mine to be unreasonable or that this assumption may result in the understating of the value of the Mine. We noted the Company performed impairment assessments on the value of the Mine in its published annual reports. In light of the above mentioned, we consider that performing the Valuation by relying on the Technical Report and then further updated based on the subsequent management historical information is reasonable and justifiable.

Aside from the parameters and assumptions, among others, as described under the sub-sections in the Letter from the Board "Mining Rights", "Ore resource and reserve estimates", "Ore Grade and Recovery Rate" and "Mining Life", etc., in the Circular, we set out below the assumptions in terms of the sales price and forecast price of the Non-Ferrous Metals Products as referenced by the Independent Valuer in the Valuation Report.

(a) Lead, zinc and copper concentrates sales price – sales prices of lead, zinc and copper concentrates are reference to the spot price of lead, zinc and copper concentrate quote on the Shanghai Metals Market ("SMM") with specific adjustments regarding the actual purity level of lead, zinc and copper concentrates produced by Baoshan Feilong, as per the contractual agreements between Baoshan and its clients.

(b) Lead, zinc and copper concentrates price forecast – (i) for 2019, lead, zinc and copper concentrates price with reference to the average closing price of the lead, zinc and copper concentrates futures contracts from the Shanghai Futures Exchange with expiry date from April 2019 to December 2019; (ii) as there are no frequently traded futures contracts of lead, zinc and copper concentrates from the Shanghai Futures Exchange expiring after December 2019 as at the date of the Valuation, the Valuer adopted the lead, zinc and copper concentrates price forecast by Consensus Economics Inc. to estimate the lead, zinc and copper concentrates price for Baoshan Feilong from 2020 to 2028 (the forecast prices by Consensus Economics Inc. are translated into CNY using the USDCNY forward rate as at the date of the Valuation with reference to Bloomberg; and (iii) from 2029 to 2040, as there are no lead, zinc and copper concentrates price forecast by Consensus Economics Inc., the Valuer assumed the price of lead, zinc and copper concentrates from 2029 to 2040 to be the same as 2028, and are translated into CNY using the USDCNY forward rate as at the date of the Valuation with reference to Bloomberg.

Furthermore, we have also discussed with the Independent Valuer and reviewed the parameters and the comparable companies adopted in the calculation of the discount rate used in the Valuation (the "Discount Rate"). As advised by the Independent Valuer, the selection procedures for the comparable companies analysis is based on listed companies in the PRC and Hong Kong that (i) are engaged in mining operation mainly involving lead, zinc and cooper in the PRC; (ii) do not derive standalone extreme results in terms of their debt-to-equity ratio, tax rates, or unlevered beta in order to eliminate outlier impact; and (iii) were used in the past two financial years of the Group for the impairment testing of the Target Group to ensure consistency of the Discount Rate. Based on the above, we have reviewed the selection criteria as well as the valuation worksheet provided by the Independent Valuer and based on our independent researches, the major activities of the selected comparables by the Independent Valuers are similar to the Target Group's. We considered that the comparables selected in the perspective of the Valuer are fair and reasonable for the valuation purpose so far as the Independent Shareholders are concerned.

We understand from and agree with the Independent Valuer that the income approach is an appropriate and commonly adopted methodology for the valuation of assets which expected income and profit period can be predicted based on the historical mining information and characteristics of the Mine. Further, we have reviewed the methodology and parameters applied by the Independent Valuer in arriving at the Valuation. Having reviewed the workings and bases and assumptions in the Valuation Report, we have not identified any major factor which causes us to doubt the fairness and reasonableness of the bases and assumptions adopted for or the information used in the Valuation Report and therefore we are of the view that the basis and assumption in arriving at the Valuation is fair and reasonable. Nevertheless, the Independent Shareholders should note that valuation of assets or businesses usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Target Group's enterprise value.

The Valuation Report was prepared for the Board as reference for the Consideration and is for additional information to the Shareholders. As confirmed by the Company, there had been no material changes in operation, financial or trading position of the Target Group between 31 March 2019 and the Latest Practicable Date, hence, we concur with the view of the Board that determining the Consideration with reference to the Valuation as at 31 March 2019 is fair and reasonable.

Based on the above and having considered that (i) the Independent Valuer is independent from the Company, the Target Group, the Purchaser and any of their respective associates and has sufficient qualification and experience for preparation of the Valuation Report; and (ii) the valuation methodology, the principal basis and assumptions adopted in the Valuation are justifiable, we are of the view that the Valuation is fair and reasonable.

(II) Comparing with comparable companies

In order to further assess the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis using the P/B Ratio, which is one of the most commonly used benchmark, and compare the P/B Ratio of the Target Company with the P/B Ratios of other companies principally engaged in the mining operation of Non-Ferrous Metals Products similar to the Target Group, given that a price-to-earnings ratio is not applicable due to the loss-marking of the Target Group for the year ended 31 December 2018.

Based on the following criteria (i) the companies are listed on the Stock Exchange; and (ii) generate its substantial revenue from sales of the mining of one or more of the Non-Ferrous Metals Products of the Target Group (i.e. lead, zinc and/or copper) related and relevant businesses (i.e. over 50% of its total revenue) mainly in the PRC, which is similar to the principal business of the Target Group, 15 companies are selected, which are exhaustive and on best effort basis (the "Comparables"). We consider that the Comparables are fair and representative samples for comparison, since the primary source of income and operation location of each of the Comparables is similar to that of the Target Group. Details of our analysis are set out in the following table:

Company (stock code)	**Principal business activities**	**P/B Ratio (times)** *(notes 1&2)*
Jiangxi Copper Company Limited (358) *(Note 3)*	This company is principally engaged in the mining, smelting and processing of copper and also the extraction and processing of precious metals and dissipated metals, sulfur chemical industry business, and financial and trading business. The major products including, inter alia, cathode copper, copper rods and copper foils. This company mainly conducts its businesses within the PRC and Hong Kong.	0.61
Huan Yue Interactive Holdings Limited (505)	This company is principally engaged in copper products business includes the manufactures and sales of high precision copper plates and strips, the trading of raw materials and the provision of processing services in the PRC. This company also involves in the provision of property services through its subsidiaries.	0.45

Company (stock code)	**Principal business activities**	**P/B Ratio (times)** *(notes 1&2)*
Lee Kee Holdings Limited (637)	This company is principally engaged in the trading of metal products including, inter alia, zinc, zinc alloy and other electroplating chemical products in the PRC and Hong Kong. This company also engages in the provisional of technical consultancy services and management services through its subsidiaries.	0.31
China Daye Non-Ferrous Metals Mining Limited (661)	This company is principally engaged in the sales of metal products including, inter alia, copper cathodes and copper products and also provides copper processing services in the PRC, Hong Kong and Mongolia.	0.35
Macrolink Capital Holdings Limited (758)	This company is principally engaged in the trading of mineral concentrates through six segments namely – (i) property investment and development segment; (ii) property management and agency services segment; (iii) manufacture and sales of construction materials segment; (iv) securities investments segment; (v) trading of mineral concentrates segment; and (vi) coal mining segment.	2.99
China Nonferrous Mining Corporation Limited (1258)	This company is principally engaged in the production and sales of cooper related products through two segments namely – (i) leaching; and (ii) smelting. This company is also engaged in the farming business through its subsidiaries.	0.74
China Metal Resources Utilization Limited (1636)	This company is principally engaged in the manufacture and sales of copper and related products through four segments namely – (i) recycled copper products segment; (ii) power transmission and distribution cables segment; (iii) communication cable segment; and (iv) aluminum product segment.	4.45

Company (stock code)	Principal business activities	P/B Ratio (times) *(notes 1&2)*
China Polymetalic Mining Limited (2133)	This company is principally engaged in the exploration, pure mining and preliminary processing of non-ferrous metals mineral resources and the sales of non-ferrous metal concentrates including, inter alia, lead, zinc and silver.	0.13
Jinchuan Group International Resources Co. Ltd. (2362)	This company is principally engaged in the mining operations and the trading of mineral and metal products through two segments namely – (i) trading of mineral and metal products segment; and (ii) mining operations, primarily copper and cobalt production segment.	1.22
Xinjiang Xinxin Mining Industry Co., Ltd. (3833)	This company is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products including, inter alia, nickel cathode and copper cathode. This company is also engaged in the investment in phosphate fertilizer, compound fertilizer and other chemical products through its subsidiaries.	0.27
Wanguo International Mining Group Limited (3939)	This company is principally mining, ore processing and the sale of the concentrates products in China. The concentrates products include, inter alia, copper concentrates, zinc concentrates and zinc concentrates. This company also engaged in the exploration of mineral resources through its subsidiaries.	1.83

Company (stock code)	**Principal business activities**	**P/B Ratio (times)** *(notes 1&2)*
China Molybdenum Co., Ltd. (3993) *(Note 3)*	This company is principally engaged in the mining, smelting, processing and trading of metals such as molybdenum, tungsten and copper through five segments namely – (i) molybdenum, tungsten and related products segment; (ii) copper, gold and related products segment; (iii) niobium and related products segment; (iv) phosphorus segment; and (v) copper and cobalt segment. This company conducts its businesses mainly in China, Australia, Brazil and Congo.	1.08
Global Strategic Group Limited (8007)	This company is principally engaged in the provision of internet & e-commerce enabling solutions, information technology consulting & technical services, strategic investments in technologies & applications, the trading of commodities and the natural gas supply through two segments namely – (i) commodity trading of copper; and (ii) information technology solution services segment.	1.41
Timeless Software Limited (8028)	This company is principally engaged in software business and mining business which involves exploration and exploitation of mines for mineral products include gold doers and nickel-copper ores. This Company also engaged in the provision of supply chain management, storage and corporate management consultancy services through its subsidiaries.	1.29

Company (stock code)	Principal business activities	P/B Ratio (times) *(notes 1&2)*
China Nonferrous Metals Company Limited (8306)	This company is principally engaged in the mining, processing and trading of mineral resources including, inter alia, zinc concentrates and lead concentrates. The main activities of the Company on the mine included the exploration of nonferrous metals of zinc and lead and is mainly operates businesses in the PRC and China.	Not applicable *(note 5)*
	Minimum:	**0.13**
	Maximum:	**4.45**
	Average:	**1.22**
Target Group *(note 4)*	The Target Group is principally engaged in the Mining Operations through its subsidiaries.	**3.47**

Source: The Stock Exchange

Notes:

1. The exchange rates of RMB1 = HK$1.14 and USD1 = HK$7.80 were applied respectively.

2. The P/B Ratio is calculated with reference to the closing prices as quoted on the Stock Exchange on the date of the Share Purchase Agreement (i.e. 23 July 2019) and the equity attributable to owners is extracted from the latest relevant financial reports/results of the Comparables prior to the date of the Share Purchase Agreement.

3. Only the portion of the H-shares of the comparable is used in the calculation of its P/B Ratio.

4. The P/B Ratio of the Target Group implied by the Consideration is calculated based on the Consideration of RMB230,800,000 divided by the unaudited net asset value of the Target Group as at 30 June 2019 of approximately RMB66,589,000.

5. Trading of the shares of this Comparable has been suspended since 1 April 2015 and is therefore considered not applicable for our comparison purposes.

As shown in the table above, the P/B Ratio of the Comparables ranges from approximately 0.13 times to approximately 4.45 times with an average of approximately 1.22 times. We noted that the implied P/B Ratio of the Target Group of approximately 3.47 times (the "Implied P/B Ratio") is higher than the average and lies within the range of the P/B Ratio of the Comparables.

Having considered (i) the Valuation is fair and reasonable based on our evaluation above; (ii) given no interest was received in the Tendering, it is reasonable to have the Consideration is equivalent to the appraised value of the Valuation (rounded); and (iii) the Implied P/B Ratio is higher than the average and lies within the range of the P/B Ratio of the Comparables, we are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Financial effects of the Disposal and use of proceeds

Upon Completion, the Company will cease to hold any interest in the Target Group and the financial results of the Target Group will no longer be consolidated to the Company and the Group's financial statements.

As the net proceeds of approximately RMB228.8 million (after deducting the related expenses in relation to the Disposal) will be used to net-off against the outstanding indebtedness owing by the Group to the Purchaser and its associate and 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.

Effect on net assets value

Based on the unaudited pro forma financial information on the Remaining Group as set out in Appendix III to the Circular (the "Pro Forma Financial Information"), as if the Disposal had been completed on 30 June 2019, the unaudited pro forma consolidated total assets of the Remaining Group as at 30 June 2019 would decrease to approximately RMB752.3 million while the unaudited pro forma consolidated total liabilities of the Remaining Group as at 30 June 2019 would also decrease to approximately RMB386.5 million. As a result of the foregoing, the net assets value of the Remaining Group would increase to RMB365.7 million as at 30 June 2019.

Effect on earnings

Based on the Pro Forma Financial Information, as if the Disposal had been completed on 31 December 2018, the Remaining Group would record an increase in loss attributable to owners of the Company from approximately RMB46.5 million to a net loss attributable to owners of the Company of approximately RMB161.9 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Remaining Group will be upon the Completion.

Based on the aforementioned, in particular the Disposal can enhance the net assets value as well as decrease in the loss making performance of the Remaining Group, and after taking into consideration the factors as discussed under the sections, including but not limited to, ''Background Information'', ''Reasons for and benefits of the Disposal'' and ''Evaluation of the Consideration'' in this letter, we consider that although the Disposal is not in the ordinary course of business of the Group, the Disposal is in the interests in the Company and the Shareholders as a whole and the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on a normal commercial terms and are fair and reasonable so far as the Independent Shareholders as concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Share Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal is not in the ordinary course of business of the Group, and as discussed in this letter, the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Disposal.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity and has over 22 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 were set out in the Company's annual reports for the each of three years ended 31 December 2016, 2017 and 2018 and the Company's interim report for the six months ended 30 June 2019, which can be accessed on the website of the Stock Exchange:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0417/LTN20170417089.pdf,

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0419/LTN20160419805.pdf,

http://www.hkexnews.hk/listedco/listconews/SEHK/2019/0411/LTN201904111320.pdf; and

http://www.hkexnews.hk/listedco/listconews/sehk/2019/0814/ltn20190814735.pdf respectively.

2. INDEBTEDNESS

As at the close of business on 31 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has outstanding borrowings of approximately RMB632.4 million, comprising unsecured and unguaranteed amounts due to related companies of approximately HK$129.8 million (equivalent to approximately RMB117.3 million) and approximately RMB147.6 million, unsecured and guaranteed amount due to a related company of approximately RMB18.0 million, and unsecured and guaranteed bank borrowing of approximately EUR44.4 million (equivalent to approximately RMB349.5 million). As at 31 August 2019, the Group has secured outstanding lease payments not yet paid for the remainder of the lease terms amounting to approximately HK$439,000 (equivalent to approximately RMB396,000) and approximately RMB526,000 in aggregate. Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 August 2019, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, lease obligations, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

After taking into account (i) the effect of the Disposal; and (ii) the Group's presently available financial resources, including internally generated funds from operation and available facilities of the Group, the Directors after due and careful enquiry, are of the opinion that the

Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date of which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group 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 of Yuelong Limited will be conducive to the Company's change of principal business.

The Group will focus on the factoring business in the future. We will actively expand the customer base and will explore business opportunities in the area of consumer finance in the telecommunication industry. The Directors endeavor to seek more business opportunities in the financial industry to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the continuing operations of the Remaining Group for the three years ended 31 December 2018 and for the six months ended 30 June 2019. For further financial information of the continuing operations of the Remaining Group, please refer to the section headed "Management Discussion and Analysis" of the Company's interim report for the six months ended 30 June 2019, and its annual report for the year ended 2016, 2017 and 2018, respectively.

For the six months ended 30 June 2019

Financial review

For the six months ended 30 June 2019, the revenue from continuing operations of the Remaining Group recorded approximately RMB25,580,000, representing an increase of approximately 57.46% as compared with approximately RMB16,245,000 in the corresponding period in 2018. The increase was mainly because of the increase in the scale of factoring loan granted.

The profit after taxation from continuing operations of the Remaining Group for the six months ended 30 June 2019 was approximately RMB7,712,000 as compared with the loss after taxation from continuing operations of approximately RMB15,282,000 in the corresponding period ended 30 June 2018. The variance was mainly attributable to the exchange gain of RMB2,550,000 during the period while there is an exchange loss of RMB19,580,000 in the corresponding period in 2018 and the expansion in the factoring related business.

Segment Information

Factoring business

The Remaining Group continued its expansion in Factoring Business in 2019. During the six months ended 30 June 2019, the factoring business recorded an operating revenue of RMB25,580,000 (2018: RMB16,245,000). Loans with total amount of RMB555,000,000 was granted as at 30 June 2019 (As at 31 December 2018: RMB633,000,000), and recorded interest income and fee income of RMB18,488,000 (2018: RMB8,223,000) and RMB7,092,000 (2018: RMB8,022,000) respectively.

Liquidity, financial resources and capital structure

The capital structure of the continuing operations of the Remaining Group consists of debts, which include bank borrowings, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Remaining Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

As at 30 June 2019, the continuing operations of the Remaining Group incurred net current assets of approximately RMB707,153,000, as compared to the net current assets of approximately RMB682,052,000 at 31 December 2018. The increase in net current assets was mainly attributable to the increase in scale of factoring related business during the period. As at 30 June, 2019, the net asset value of the continuing operations of the Remaining Group amounted to RMB360,918,000, representing an increase of approximately 7.85% as compared to RMB334,653,000 at 31 December, 2018.

As at 30 June, 2019, the continuing operations of the Remaining Group had total current liabilities of RMB42,012,000 (31 December, 2018: RMB178,395,000), mainly comprising trade and other payables and amount due to related companies. The total non-current liabilities of the continuing operations of the Remaining Group amounted to RMB347,455,000 (31 December, 2018: RMB348,811,000), which were mainly bank borrowings.

As at 30 June 2019, the gearing ratio of the Remaining Group is 51.90%. The gearing ratio is calculated based on the amounts of total liabilities divided by total assets.

Pledge of assets

As at 30 June 2019, there was no pledge of assets by the Remaining Group.

Employees

As at 30 June 2019, the Remaining Group maintained an aggregate of 33 employees as compared with 33 employees at 31 December 2018.

During the six months ended 30 June 2019, the staff costs from continuing operations (including directors' remuneration in the form of salaries and other allowances) were approximately RMB3,331,000, representing an increase of approximately 51.71% as compared with approximately RMB2,992,000 in the corresponding period in 2018. The increase was mainly attributable to increase of employees during the period.

The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

Risk in foreign exchange

The Remaining Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi. Hong Kong dollars and Euro. The Remaining Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

The Remaining Group's business activities are transacted in RMB, which is the reporting currency of the Group. The Remaining Group has bank borrowing denominated in Euro, which expose the Remaining Group to foreign currency risk. As at 30 June 2019, the Remaining Group was exposed to an exchange risk mainly arose out of the foreign bank borrowing of approximately RMB347,278,000 which were held in Euro.

Significant investment held

The Remaining Group did not hold any significant investment as at 30 June 2019.

Material acquisition and disposal

Save for the disposal of Yue Da Mining Limited, there was no material acquisition and disposal of subsidiaries and associated companies by the Remaining Group during the period.

Contingent liabilities

As at 30 June 2019, the Remaining Group did not have any other material contingent liabilities.

For the year ended 31 December 2018

Financial review

For the year ended 31 December 2018, the revenue from continuing operations of the Remaining Group recorded approximately RMB45,069,000, representing an increase of approximately 5.85 times as compared with approximately RMB6,579,000 in the corresponding period in 2017. The increase was mainly because of the full year operation of the factoring related business, which commenced in the second half of 2017.

The loss after taxation from continuing operations of the Remaining Group for the year ended 31 December 2018 was approximately RMB46,347,000 representing an increase in loss of approximately RMB35,032,000 as compared with the loss after taxation from continuing operations of approximately RMB11,315,000 in the corresponding period in 2017. The increase in the loss was mainly because of the exchange loss of RMB39,813,000 in the year 2018 which offsetting the increase in profit upon the expansion of factoring related business.

Segment Information

Factoring business

The Remaining Group continued its expansion in Factoring Business in 2018 following the commencement of the business in the fourth quarter in 2017. During the year ended 31 December 2018, the factoring business recorded an operating revenue of RMB45,069,000 (2017: RMB6,579,000). Loans with total amount of RMB633,000,000 was granted as at 31 December 2018 (As at 31 December 2017: RMB57,000,000), and recorded interest income and fee income of RMB32,448,000 (2017: RMB1,033,000) and RMB10,522,000 (2017: RMB692,000) respectively. In addition, consultancy services were provided during the year, and recorded service fee income of RMB2,099,000 (2017: RMB4,854,000).

Liquidity, financial resources and capital structure

The capital structure of the Remaining Group consists of debts, which include bank borrowings, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Remaining Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

As at 31 December 2018, the continuing operations of the Remaining Group incurred net current assets of approximately RMB682,052,000 as compared to the net current assets of approximately RMB452,195,000 at 31 December 2017. The increase in net current assets was mainly attributable to the increase in factoring receivables. As at 31 December 2018, the net asset value of the continuing operations of the Remaining Group amounted to RMB334,653,000, as compared to the new asset value RMB314,312,000 at 31 December, 2017.

As at 31 December 2018, the continuing operations of the Remaining Group had total current liabilities of RMB178,395,000 (31 December, 2017: RMB40,506,000), mainly comprising trade and other payables and corporate bonds. The total non-current liabilities of the continuing operations of the Remaining Group amounted to RMB348,811,000 (31 December, 2017: RMB138,003,000), which were mainly bank borrowings.

As at 31 December 2018, the gearing ratio of the Remaining Group is 61.17%. The gearing ratio is calculated based on the amounts of total liabilities divided by total assets.

Pledge of assets

As at 31 December 2018, there was no pledge of assets by the Remaining Group.

Employees

As at 31 December 2018, the Remaining Group maintained an aggregate of 33 employees as compared with 21 employees at 31 December 2017.

During the year ended 31 December 2018, the staff costs from continuing operations (including directors' remuneration in the form of salaries and other allowances) were approximately RMB9,784,000, representing an increase of approximately 51.71% as compared with approximately RMB6,449,000 in the corresponding period in 2017. The increase was mainly attributable to increase of employees during the period.

The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

Risk in foreign exchange

The continuing operations of the Remaining Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and Euro. The Remaining Group was not engaged in any hedging by financial instruments in relation to exchange rate risk. However, the Remaining Group will closely monitor the fluctuation in exchange rate and will take necessary measures to minimise the impact arising from adverse currency fluctuation.

The Remaining Group's business activities are transacted in RMB, which is the reporting currency of the Group. The Remaining Group has bank borrowing denominated in Euro and corporate bond denominated in Hong Kong dollars, which expose the Remaining Group to foreign currency risk. As at 31 December 2018, the Remaining Group was exposed to an exchange risk mainly arose out of the foreign bank borrowing of approximately RMB348,624,000 which were held in Euro and corporate bond of approximately RMB147,304,000 which were held in Hong Kong dollars.

Significant investment held

The Remaining Group did not hold any significant investment as at 31 December 2018.

Material acquisition and disposal

Save for the disposal of Absolute Apex Limited, there was no material acquisition and disposal of subsidiaries and associated companies by the Remaining Group during the period.

Contingent liabilities

As at 31 December 2018, the Remaining Group did not have any other material contingent liabilities.

For the year ended 31 December 2017

Financial review

For the year ended 31 December 2017, the revenue from continuing operations of the Remaining Group recorded approximately RMB6,579,000, as compared with zero revenue in the corresponding period in 2016. The increase was mainly because the factoring related business was newly set up in the second half of 2017.

The loss after taxation from continuing operations of the Remaining Group for the year ended 31 December 2017 was approximately RMB11,315,000.

Segment Information

Factoring business

The Remaining Group started the Factoring Business by establishing Yueda (Shenzhen) Commercial Factoring Co., Ltd., a wholly-owned subsidiary, in the fourth quarter in 2017. During the year ended 31 December 2017, the factoring business recorded an operating revenue of RMB6,579,000. Loans with total amount of RMB57,000,000 was granted as at 31 December 2017, and recorded interest income and fee income of RMB1,033,000 and RMB692,000 respectively. In addition, consultancy services were provided during the year, and recorded service fee income of RMB4,854,000.

Liquidity, financial resources and capital structure

The capital structure of the Remaining Group consists of debts, which include corporate bonds, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Remaining Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

As at 31 December 2017, the continuing operations of the Remaining Group incurred net current assets of approximately RMB452,195,000, as compared to the net current assets of approximately RMB516,333,000 at 31 December 2016. As at 31 December, 2017, the net asset value of the continuing operations of the Remaining Group amounted to RMB314,312,000, representing a decrease of approximately 15.81% as compared to RMB373,343,000 at 31 December, 2016.

As at 31 December 2017, the continuing operations of the Remaining Group had total current liabilities of RMB40,506,000 (31 December, 2016: RMB4,068,000), mainly comprising trade and other payables and amount due to related companies. The total non-current liabilities of the continuing operations of the Remaining Group amounted to RMB138,003,000 (31 December, 2016: RMB145,024,000), which were mainly corporate bonds.

As at 31 December 2017, the gearing ratio of the Remaining Group is 36.22%. The gearing ratio is calculated based on the amounts of total liabilities divided by total assets.

Pledge of assets

As at 31 December 2017, there was no pledge of assets by the Remaining Group.

Employees

As at 31 December 2017, the Remaining Group maintained an aggregate of 21 employees as compared with 12 employees at 31 December 2016.

During the year ended 31 December 2017, the staff costs from continuing operations (including directors' remuneration in the form of salaries and other allowances) were approximately RMB6,449,000, representing a decrease of approximately 25.69% as compared with approximately RMB8,679,000 in the corresponding period in 2016. The decrease was mainly attributable to reduction in bonus during the period.

The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

Risk in foreign exchange

The Remaining Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. The Remaining Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

The Remaining Group's business activities are transacted in RMB, which is the reporting currency of the Group. The Remaining Group has long term corporate bond denominated in Hong Kong dollars, which expose the Remaining Group to foreign currency risk. As at 31 December 2017, the Remaining Group was exposed to an exchange risk mainly arose out of the corporate bond of approximately RMB138,003,000 which were held in Hong Kong dollars.

Significant investment held

The Remaining Group did not hold any significant investment as at 31 December 2017.

Material acquisition and disposal

Save for the disposal of Long Grand Investments Limited, Yuelong (Yaoan) Limited and Fly Ascent Group Limited, there was no material acquisition and disposal of subsidiaries and associated companies by the Remaining Group during the period.

Contingent liabilities

As at 31 December 2017, the Remaining Group did not have any other material contingent liabilities.

For the year ended 31 December 2016

Financial review

For the year ended 31 December 2016, there is no revenue from continuing operations of the Remaining Group.

The loss after taxation from continuing operations of the Remaining Group for the year ended 31 December 2016 was approximately RMB30,530,000.

Segment Information

Factoring business

The Remaining Group started the Factoring Business by establishing the Yueda (Shenzhen) Commercial Factoring Co., Ltd., a wholly-owned subsidiary, in the fourth quarter in 2017. Therefore, there is no segment information for the year ended 31 December 2016 for the factoring business.

Liquidity, financial resources and capital structure

The capital structure of the Remaining Group consists of debts, which include corporate bond, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Remaining Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

As at 31 December 2016, the continuing operations of the Remaining Group incurred net current assets of approximately RMB516,333,000. The net asset value of the Remaining Group amounted to RMB373,343,000.

As at 31 December 2016, the continuing operations of the Remaining Group had total current liabilities of RMB4,068,000, mainly comprising trade and other payables. The total non-current liabilities of the continuing operations of the Remaining Group amounted to RMB145,024,000, which mainly included the corporate bond.

As at 31 December 2016, the gearing ratio of the continuing operations of the Remaining Group is 28.53%. The gearing ratio is calculated based on the amounts of total liabilities divided by total assets.

Pledge of assets

As at 31 December 2016, there was no pledge of assets by the Remaining Group.

Employees

As at 31 December 2016, the Remaining Group maintained an aggregate of 12 employees.

During the year ended 31 December 2016, the staff costs from continuing operations (including directors' remuneration in the form of salaries and other allowances) were approximately RMB8,679,000.

The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

Risk in foreign exchange

The continuing operation of Remaining Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. The Remaining Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

The Remaining Group's business activities are transacted in RMB, which is the reporting currency of the Group. The Remaining Group has long term corporate bond denominated in Hong Kong dollars, which expose the Remaining Group to foreign currency risk. As at 31 December 2016, the Remaining Group was exposed to an exchange risk mainly arose out of the corporate bond of approximately RMB145,024,000 which were held in Hong Kong dollars.

Significant investment held

The Remaining Group did not hold any significant investment as at 31 December 2016.

Material acquisition and disposal

There was no material acquisition and disposal of subsidiaries and associated companies by the Remaining Group during the period.

Contingent liabilities

As at 31 December 2016, the Remaining Group did not have any other material contingent liabilities.

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of Target Group which comprises the unaudited condensed consolidated statements of financial position of Target Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of cash flows and unaudited condensed consolidated statements of changes in equity for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 and certain explanatory notes (altogether referred to as ''Historical Financial Information'').

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and the basis of preparation as set out in note 2 to the Historical Financial Information.

The Historical Financial Information is prepared by the directors solely for the purpose of inclusion in this circular in connection with the proposed disposal of the entire equity interest in Target Company. The Company's auditor, Deloitte Touche Tohmatsu, has reviewed the Historical Financial Information of Target Group in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' and with reference to Practice Note 750 ''Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal'' issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the Company's auditor to obtain assurance that the Company's auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the Company's auditor does not express an audit opinion. The Company's auditor has issued an unmodified review report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue – contracts with customers	33,096	64,838	39,841	30,528	16,972
Cost relating to inventories sold	(26,525)	(35,713)	(26,942)	(18,314)	(15,237)
Gross profit	6,571	29,125	12,899	12,214	1,735
Other income	34	697	604	268	127
Other gains and (losses), net	(10)	–	46	31	–
Administrative expenses	(16,505)	(13,540)	(15,876)	(8,958)	(5,355)
Finance costs	(676)	(709)	(1,010)	(605)	(546)
(Loss)/profit before income tax	(10,586)	15,573	(3,337)	2,950	(4,039)
Income tax credit (expense)	1,977	(2,692)	556	(1,068)	431
(Loss)/profit and total comprehensive (expense) income for the year/period	(8,609)	12,881	(2,781)	1,882	(3,608)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	48,853	57,513	61,788	58,396
Right-of-use assets	–	–	–	5,612
Prepaid lease payments	6,008	5,787	5,566	–
Mining rights	9,206	10,453	10,289	10,234
Long term deposits	3,000	8,115	8,115	8,115
	67,067	81,868	85,758	82,357
Current assets				
Prepaid lease payments	221	221	221	–
Inventories	17,392	12,684	18,042	18,306
Trade and other receivables	1,323	1,835	3,213	7,665
Amounts due from group companies	273,323	187,546	161,160	–
Amount due from a related company	–	200	–	–
Tax receivable	224	–	334	334
Cash and cash equivalents	75,607	59,865	19,411	4,585
	368,090	262,351	202,381	30,890
Current liabilities				
Trade and other payables	24,210	33,382	18,075	12,939
Contract liabilities	–	–	10,223	1,045
Amounts due to group companies	194,990	64,481	23,513	–
Amounts due to related companies	15,000	30,050	24,011	28,764
Taxation payable	–	652	–	–
	234,200	128,565	75,822	42,748
Net current assets (liabilities)	133,890	133,786	126,559	(11,858)
Total assets less current liabilities	200,957	215,654	212,317	70,499
Capital and reserves				
Share capital	1	1	1	1
Reserves	193,122	206,003	203,222	61,835
Total equity	193,123	206,004	203,223	61,836
Non-current liabilities				
Provisions	1,911	1,911	1,911	1,911
Deferred tax liabilities	5,923	7,739	7,183	6,752
	7,834	9,650	9,094	8,663
	200,957	215,654	212,317	70,499

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserves	Non-distributable reserves	Accumulated profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 January 2016	1	45,457	20,715	135,559	201,732
Loss and total comprehensive expense for the year	–	–	–	(8,609)	(8,609)
Balance at 31 December 2016 and 1 January 2017	1	45,457	20,715	126,950	193,123
Profit and total comprehensive income for the year	–	–	–	12,881	12,881
Balance at 31 December 2017 and 1 January 2018	1	45,457	20,715	139,831	206,004
Loss and total comprehensive expense for the year	–	–	–	(2,781)	(2,781)
Balance at 31 December 2018 and 1 January 2019	1	45,457	20,715	137,050	203,223
Loss and total comprehensive expense for the period	–	–	–	(3,608)	(3,608)
Waiver of amounts due from group companies	–	(137,779)	–	–	(137,779)
Balance at 30 June 2019	1	(92,322)	20,715	133,442	61,836
Balance at 1 January 2018	1	45,457	20,715	139,831	206,004
Profit and total comprehensive income for the period	–	–	–	1,882	1,882
Balance at 30 June 2018	1	45,457	20,715	141,713	207,886

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities					
(Loss)/profit before income tax	(10,586)	15,573	(3,337)	2,950	(4,039)
Adjustments for:					
Amortisation of mining rights	126	193	164	75	55
Loss (gain) on disposal of property, plant and equipment	10	–	(46)	(31)	–
Finance costs	676	709	1,010	605	546
Depreciation of property, plant and equipment	5,018	4,461	7,065	3,638	4,766
Depreciation of right-of-use assets	–	–	–	–	175
Release of prepaid lease payments	221	221	221	111	–
Interest income from bank deposits	(34)	(616)	(289)	(216)	(35)
Operating cash flows before movements in working capital	(4,569)	20,541	4,788	7,132	1,468
Increase in long term deposits	–	(5,115)	–	–	–
Decrease (increase) in inventories	2,291	4,708	(5,358)	3,719	(264)
Decrease (increase) in trade and other receivables	584	(512)	(1,378)	(6,677)	(4,452)
Increase/(decrease) in trade and other payable	6,723	9,172	(3,298)	(2,230)	(5,136)
Decrease in contract liabilities	–	–	(1,603)	(10,336)	(9,178)
Cash from (used in) operations	5,029	28,794	(6,849)	(8,392)	(17,562)
Income tax paid	–	–	(986)	(986)	–
Net cash from (used in) operating activities	5,029	28,794	(7,835)	(9,378)	(17,562)
Investing activities					
Purchase of property, plant and equipment	(3,178)	(13,121)	(11,459)	(5,086)	(1,374)
Addition of mining rights	–	(1,440)	–	–	–
Repayment from group companies	12,230	123,777	87,604	87,604	23,381
Advance to group companies	(3,017)	(38,000)	(61,218)	(24,339)	–
Repayment from related companies	–	–	17	17	–
Advance to related companies	–	(200)	–	–	–
Proceeds from disposal of property, plant and equipment	24	–	165	82	–
Interest received	34	616	289	216	35
Net cash from investing activities	6,093	71,632	15,398	58,494	22,042
Financing activities					
Repayment of bank borrowings	(20,000)	–	–	–	–
Repayment to group companies	–	(132,215)	(45,767)	(45,767)	(23,513)
Advance from group companies	63,620	1,706	7,000	3,750	–
Repayment to related companies	–	(5,000)	(12,050)	(10,050)	–
Advance from related companies	15,000	20,050	3,810	–	4,753
Interest paid	(676)	(709)	(1,010)	(605)	(546)
Net cash from (used in) financing activities	57,944	(116,168)	(48,017)	(52,672)	(19,306)
Net increased (decrease) in cash and cash equivalents	69,066	(15,742)	(40,454)	(3,556)	(14,826)
Cash and cash equivalents at beginning of year/period	6,541	75,607	59,865	59,865	19,411
Cash and cash equivalent at end of year/period	75,607	59,865	19,411	56,309	4,585

NOTES TO THE UNAUDITED HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. BACKGROUND AND GENERAL INFORMATION

Yue Da International Holdings Limited (the ''Company'') is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together with the Company hereinafter referred to as the ''Group'') are principally engaged in (1) the business of exploration, mining and processing of mainly zinc, lead and copper and (2) provision of factoring services and accounts receivable management and collection services.

On 23 July 2019, the Company entered into a share purchase agreement with Yue Da Group (H.K.) Co., Limited, a shareholder of the Company, (the ''Purchaser''), pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interest of Yuelong Limited (hereafter referred to as the ''Target Company'') and its subsidiary (hereafter collectively referred to as the ''Target Group'') from the Company (the ''Disposal'').

The Target Group are principally engaged in the business of exploration, mining and processing of mainly zinc, lead and copper. Upon the completion of the Disposal, the Group will cease to have control over the Target Group.

The Historical Financial Information is presented in Renminbi, which is also the functional currency of the Company and the Target Company.

2. BASIS OF PREPARATION

The Historical Financial Information of Target Group has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed disposal of the Target Group. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Standard 1 (Revised) ''Presentation of Financial Statements'' nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 ''Interim Financial Reporting'' issued by the Hong Kong Institute of Certified Public Accountants.

In the preparation of the Historical Financial Information, the directors of the Target Company have given due and careful consideration to the future liquidity of the Target Group in light of the fact that as at 30 June 2019, the Target Group's current liabilities exceeded its current assets by RMB11,858,000. Subsequent to 30 June 2019, the Company has agreed to provide adequate funds to enable the Target Group to meet in full its financial obligation under the advance from the related company of RMB18 million and undertaken not to demand repayment of such advance made until such time as the Target Group has sufficient funds to repay the amount due by the Target Group. Furthermore, a related company has undertaken not to demand repayment of the advance to the Target Group of RMB6 million as at 30 June 2019 until such time as the Target Group has sufficient funds to repay the amount due by the Target Group. Accordingly, the Historical Financial Information have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis.

The Historical Financial Information has been prepared in accordance with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019.

Changes in accounting policies

For the year ended 31 December 2018, the Target Group has applied Hong Kong Financial Reporting Standards ("HKFRS") 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs.

For the six months ended 30 June 2019, the Target Group has applied HKFRS 16 "Leases" in accordance with the transition provisions set out in the Group's condensed consolidated financial statements for the six months ended 30 June 2019, without restating the comparative information.

Due to the changes in accounting policies, certain comparative information may not be comparable.

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Target Group has applied HKFRS 15 for the first time in 2018. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Target Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Target Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

Based on the assessment by the directors of the Target Company, there is no material impact of transition to HKFRS 15 on accumulated profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Adjustments**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade and other payables	33,382	(11,826)	21,556
Contract liabilities	–	11,826	11,826

Note:

(a) As at 1 January 2018, included in the trade and other payables, RMB11,826,000 related to advance payments from contracts with customers. There balances were reclassified to contract liabilities upon the initial application of HKFRS 15.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

The Target Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit losses model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Based on the assessment by the directors of the Target Company, there is no material impact of transition to HKFRS 9 and the related amendments at the date of initial application, 1 January 2018.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Target Group has applied HKFRS 16 for the first time in the six months ended 30 June 2019. HKFRS 16 superseded HKAS 17 ''Leases'', and the related interpretations.

Based on the assessment by the directors of the Target Company, there is no material impact of transition to HKFRS 16 on accumulated profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	5,787	5,787
Prepaid lease payments	5,566	(5,566)	–
Current Assets			
Prepaid lease payments	221	(221)	–

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB5,566,000 and RMB221,000 respectively were reclassified to right-of-use assets.

(b) For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

Yue Da International Holdings Limited (the ''Company'') is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together with the Company hereinafter referred to as the ''Group'') are principally engaged in (1) the business of exploration, mining and processing of mainly zinc, lead and copper and (2) provision of factoring services and accounts receivable management and collection services.

On 23 July 2019, the Company entered into a share purchase agreement with Yue Da Group (H.K.) Co., Limited, a shareholder of the Company, (the ''Purchaser''), pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interest of Yuelong Limited (hereafter referred to as the ''Target Company'') and its subsidiary (hereafter collectively referred to as the ''Target Group'') from the Company (the ''Disposal'').

The Target Group are principally engaged in the business of exploration, mining and processing of mainly zinc, lead and copper. Upon the completion of the Disposal, the Group will cease to have control over the Target Group and focus on the remaining business (the ''Remaining Group'').

The unaudited pro forma financial information (the ''Unaudited Pro Forma Financial Information'') of the Remaining Group, comprising the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2018 and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018, has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal, as if the Disposal had been completed on 30 June 2019 or 1 January 2018, as appropriate.

A narrative description of the unaudited pro forma adjustments of the Disposal that are directly attributable to the Disposal and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial positions of the Remaining Group had the Disposal been completed as at 30 June 2019 or any future dates, and it may not give a true picture of the financial performance or cash flows of the Remaining Group had the Disposal been completed as at 1 January 2018 or for any future years/periods or at any future dates, whichever are applicable.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Group for the year ended 31 December 2018, the interim report of the Group for the six months ended 30 June 2019, the historical financial information of the Target Group as set out in Appendix II and other financial information included elsewhere in this circular.

Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2019

	The Group as at 30 June 2019	Unaudited pro forma adjustments			The Remaining Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	42,468	(58,396)	16,579	–	651
Right-of-use assets	7,246	(5,612)	–	–	1,634
Mining rights	207,105	(10,234)	(196,871)	–	–
Long term deposits	8,115	(8,115)	–	–	–
Deferred tax assets	569	–	–	–	569
	265,503	(82,357)	(180,292)	–	2,854
Current assets					
Inventories	18,306	(18,306)	–	–	–
Trade and other receivables	561,701	(7,665)	–	–	554,036
Amounts due from related companies	2,441	–	–	–	2,441
Tax receivable	887	(334)	–	–	553
Cash and cash equivalents	201,118	(4,585)	–	(4,133)	192,400
	784,453	(30,890)	–	(4,133)	749,430
Current liabilities					
Trade and other payables	21,814	(12,939)	–	–	8,875
Contract liabilities	7,854	(1,045)	–	–	6,809
Lease liabilities	1,457	–	–	–	1,457
Amounts due to related companies	275,937	(28,764)	–	(230,800)	16,373
Amounts due to directors	320	–	–	–	320
Taxation payable	3,425	–	–	–	3,425
	310,807	(42,748)	–	(230,800)	37,259
Net current assets	473,646	11,858	–	226,667	712,171
Total assets less current liabilities	739,149	(70,499)	(180,292)	226,667	715,025

	The Group as at 30 June 2019	Unaudited pro forma adjustments			The Remaining Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Capital and reserves					
Share capital	105,965	–	–	–	105,965
Reserves	234,796	–	–	24,984	259,780
Equity attributable to owners of the Company	340,761	–	–	24,984	365,745
Non-current liabilities					
Bank borrowing	347,278	–	–	–	347,278
Lease liabilities	177	–	–	–	177
Provisions	1,911	(1,911)	–	–	–
Deferred tax liabilities	49,022	(6,752)	(40,445)	–	1,825
	398,388	(8,663)	(40,445)	–	349,280
	739,149	(8,663)	(40,445)	24,984	715,025

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	The Group for the year ended 31 December 2018	Unaudited pro forma adjustments			The Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 5)	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Revenue					
Goods and services	54,981	(39,841)	–	–	15,140
Interest income	32,448	–	–	–	32,448
	87,429	(39,841)	–	–	47,588
Cost relating to inventories sold	(27,113)	26,942	1,388	–	1,217
Cost relating to services rendered	(9,486)	–	–	–	(9,486)
Other income	1,537	(604)	–	–	933
Other gains and (losses), net	(35,808)	(46)	–	(114,487)	(150,341)
Administrative expenses	(45,186)	15,876	(522)	(4,133)	(33,965)
Finance costs	(15,588)	1,010	–	–	(14,578)
Loss before taxation	(44,215)	3,337	866	(118,620)	(158,632)
Income tax expense	(3,220)	(556)	(449)	–	(4,225)
Loss and total comprehensive expense for the year	(47,435)	2,781	417	(118,620)	(162,857)
Loss and total comprehensive expense for the year attributable to					
Owners of the Company	(46,515)	2,781	417	(118,620)	(161,937)
Non-controlling interests	(920)	–	–	–	(920)
	(47,435)	2,781	417	(118,620)	(162,857)

Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018

	The Group for the year ended 31 December 2018	Unaudited pro forma adjustments				The Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 9)	*(Note 10)*	*(Note 7)*	*(Note 8)*	*(Note 11)*	
Operating activities						
Loss before taxation	(44,215)	3,337	866	(118,620)	–	(158,632)
Adjustments for:						
Amortisation of mining rights	3,328	(164)	(3,164)	–	–	–
Finance costs	15,588	(1,010)	–	–	–	14,578
Depreciation of property, plant and equipment	5,601	(7,065)	2,298	–	–	834
Release of prepaid lease payments	221	(221)	–	–	–	–
Gain on disposal of property, plant and equipment	(46)	46	–	–	–	–
(Gain) loss on the disposals of subsidiaries	(3,701)	–	–	114,487	–	110,786
Impairment loss allowance for financial asset, net	(258)	–	–	–	–	(258)
Interest income from bank deposits	(721)	289	–	–	–	(432)
Net foreign exchange losses	40,267	–	–	–	–	40,267
Operating cash flows before movements in working capital	16,064	(4,788)	–	(4,133)	–	7,143
(Increase) decrease in inventories	(4,709)	5,358	–	–	–	649
Increase in factoring receivables	(573,389)	–	–	–	–	(573,389)
Increase in trade and other receivables	(5,396)	1,378	–	–	–	(4,018)
Increase in trade and other payables	35,879	3,298	–	–	–	39,177
Increase in contract liabilities	1,416	1,603	–	–	–	3,019
Increase in amounts due to directors	9	–	–	–	–	9
Cash used in operations	(530,126)	6,849	–	(4,133)	–	(527,410)
Income tax paid	(3,615)	986	–	–	–	(2,629)
Net cash used in operating activities	(533,741)	7,835	–	(4,133)	–	(530,039)

	The Group for the year ended 31 December 2018	Unaudited pro forma adjustments				The Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 9)	*(Note 10)*	*(Note 7)*	*(Note 8)*	*(Note 11)*	
Investing activities						
Purchase of property, plant and equipment	(12,233)	11,459	–	–	–	(774)
Disposals of subsidiaries	(1,960)	–	–	140,733	–	138,773
Receipt of deferred consideration	50,660	–	–	–	–	50,660
Repayment from Remaining Group/Target Group	–	(87,604)	–	–	133,371	45,767
Advance to Remaining Group/Target Group	–	61,218	–	–	(68,218)	(7,000)
Repayment from related companies	17	(17)	–	–	–	–
Advance to related companies	(6,100)	–	–	–	–	(6,100)
Repayment of loan receivable	5,767	–	–	–	–	5,767
Interest received	721	(289)	–	–	–	432
Proceeds from disposal of property, plant and equipment	165	(165)	–	–	–	–
Deposits refunded for investments	1,813	–	–	–	–	1,813
Net cash from investing activities	38,850	(15,398)	–	140,733	65,153	229,338
Financing activities						
New bank borrowing raised	333,022	–	–	–	–	333,022
Repayment to Remaining Group/Target Group	–	45,767	–	–	(133,371)	(87,604)
Advance from Remaining Group/Target Group	–	(7,000)	–	–	68,218	61,218
Repayment to related companies	(630,088)	12,050	–	30,202	–	(587,836)
Advance from related companies	461,321	(3,810)	–	–	–	457,511
Interest paid	(13,041)	1,010	–	–	–	(12,031)
Net cash from financing activities	151,214	48,017	–	30,202	(65,153)	164,280
Net decrease in cash and cash equivalents	(343,677)	40,454	–	166,802	–	(136,421)
Cash and cash equivalents at beginning of year	506,240	(59,865)	–	59,865	–	506,240
Cash and cash equivalents at end of year represented by bank balances and cash	162,563	(19,411)	–	226,667	–	369,819

Notes to unaudited pro forma financial information of the Remaining Group

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2019 were extracted from the Group's unaudited consolidated financial statements for the six months ended 30 June 2019 in the Group's published interim report for the six months ended 30 June 2019.

2. The adjustment reflects the exclusion of the assets and liabilities of the Target Group as if the Disposal had been completed on 30 June 2019. The assets and liabilities for the Target Group as at 30 June 2019 have been extracted from the unaudited consolidated statement of financial position of the Target Group as at 30 June 2019 as set out in Appendix II to this circular.

3. The adjustment reflects (i) the exclusion of the fair value adjustments of mining rights of RMB563.3 million as at 30 June 2019 arising from the acquisition of equity interests in a subsidiary of the Target Company by the Group in 2006 and 2007 (''Acquisitions''). The adjustment is derived from the difference between the fair value and the carrying amount of mining rights as at the date of Acquisitions in accordance with HKFRS 3 *Business Combinations*, (ii) the accumulated impairment loss and the accumulated additional amortisation recognised at group level as at 30 June 2019 on mining rights after the Acquisitions of RMB366.5 million, (iii) the net effect of RMB16.6 million for the accumulated additional impairment loss on property, plant and equipment recognised at group level and the reversal of accumulated depreciation of property, plant and equipment in relation to impairment made at group level as at 30 June 2019, and (iv) the corresponding deferred tax impact of RMB40.4 million resulting from (i), (ii) and (iii) as at 30 June 2019. The Remaining Group did not have any mining rights as at 30 June 2019.

   The adjustment is not expected to have a continuing effect on the Remaining Group.

4. The adjustment represents (i) the consideration of RMB230.8 million from the disposal of entire issued share capital of the Target Company; (ii) the estimated transaction costs directly attributable to the Disposal of RMB4.1 million; and (iii) the estimated gain on the Disposal of RMB29.1 million as if the Disposal had completed on 30 June 2019.

   The calculation of the estimated gain on the Disposal to be recognised in profit or loss, as if the Disposal had completed on 30 June 2019, is as follows:

	Notes	*RMB'000*
Consideration	*(i)*	230,800
De-recognition of the net assets of the Target Group as at 30 June 2019	*(ii)*	(201,683)
Gain on the Disposal as if the Disposal had been completed on 30 June 2019		29,117
Estimated transaction costs	*(iii)*	(4,133)
Gain on the Disposal as if the Disposal had been completed on 30 June 2019, net of estimated transaction costs		24,984

Notes:

(i) The amount represented the consideration, being an amount of RMB230.8 million, which is payable by the Purchaser to the Company on the completion of the Disposal and shall be settled by way of net-off against the outstanding indebtedness owing by the Group to the Purchaser's Group.

(ii) The amount of net assets of the Target Group represents the amount of RMB61.8 million extracted from the unaudited consolidated statement of financial position of the Target Group as at 30 June 2019, set out in Appendix II to this circular and the adjustments of (i) the exclusion of the fair value adjustments of RMB563.3 million as at 30 June 2019 arising from the Acquisitions, (ii) the accumulated impairment loss and the accumulated additional amortisation recognised at group level as at 30 June 2019 on mining rights after the Acquisitions of RMB366.5 million, (iii) the net effect of RMB16.6 million for the accumulated additional impairment loss on property, plant and equipment recognised at group level and the reversal of accumulated depreciation of property, plant and equipment in relation to impairment made at group level as at 30 June 2019, and (iv) the corresponding deferred tax impact of RMB40.4 million resulting from (i), (ii) and (iii) as at 30 June 2019, as set out in note 3 above.

(iii) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be RMB4.1 million and it is assumed that the fees will be settled by cash.

Actual gain/loss on disposal arising from the Disposal depends on actual amount of net assets of the Target Group on the completion date. Therefore, the actual gain/loss on disposal shall be different from the amount calculated in the above table.

5. The audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018 were extracted from the Group's audited consolidated financial statements for the year ended 31 December 2018 in the Group's published annual report for the year ended 31 December 2018.

6. The adjustment reflects the exclusion of the financial performance of the Target Group with net loss of RMB2.8 million for the year ended 31 December 2018, which was extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2018 as set out in Appendix II to this circular.

7. The adjustments reflects the exclusion of the impact on unaudited consolidated statement of profit or loss and other comprehensive income and unaudited consolidated statement of cash flows for the year ended 31 December 2018 arising from (i) the additional amortisation of mining rights with the fair value adjustments arising from the Acquisitions at group level, (ii) the reversal of depreciation of property, plant and equipment in relation to impairment made at group level in prior years, and (iii) the corresponding deferred tax impact. The summary of adjustments is as follows:

	Cost relating to inventories sold	**Administrative expenses**	**Loss before taxation**	**Income tax expenses**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i) Additional amortisation of mining rights	3,164	–	3,164	(791)
(ii) Reversal of depreciation of property, plant and equipment	(1,776)	(522)	(2,298)	342
Total	1,388	(522)	866	(449)

8. The adjustment represents (i) the estimated transaction costs directly attributable to the Disposal of RMB4.1 million; and (ii) the estimated loss on the Disposal of RMB114.5 million as if the Disposal had been completed on 1 January 2018.

The calculation of the estimated loss on the Disposal to be recognised in profit or loss, as if the Disposal had been completed on 1 January 2018, is as follows:

	Notes	*RMB'000*
Consideration	*(i)*	230,800
De-recognition of the net assets of the Target Group as at 1 January 2018	*(ii)*	(345,287)
Loss on the Disposal as at 1 January 2018		(114,487)
Estimated transaction costs	*(iii)*	(4,133)
Loss on the Disposal as if the Disposal had been completed on 1 January 2018, net of estimated transaction costs		(118,620)

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

		RMB'000
Cash and cash equivalents disposed of	*(iv)*	(59,865)
Cash consideration	*(i)*	200,598
		140,733

Notes:

(i) The amount represented the consideration, being an amount of RMB230.8 million, which is payable by the Purchaser to the Company on the completion of the Disposal and shall be settled by way of net-off against the outstanding indebtedness owing by the Group to the Purchaser's Group. As at 1 January 2018, the outstanding indebtedness owing by the Group to the Purchaser's Group amounted RMB30.2 million, such amount was net-off against the consideration. The remaining amount of consideration of RMB200.6 million was assumed to be settled by cash as if the Disposal had been completed on 1 January 2018 accordingly.

(ii) The amount of net assets of the Target Group represents (i) the amount of RMB206.0 million extracted from the unaudited consolidated statement of financial position of the Target Group as at 31 December 2017, set out in Appendix II to this circular, (ii) the fair value adjustments of mining rights of RMB563.3 million as at 31 December 2017 arising from the Acquisitions, (iii) the adjustment of the accumulated impairment loss and the accumulated additional amortisation recognised at group level as at 31 December 2017 on mining rights after the Acquisitions of RMB362.2 million, (iv) the net effect of RMB20.4 million for the accumulated additional impairment loss on property, plant and equipment as at 31 December 2017 recognised at group level and the reversal of accumulated depreciation of property, plant and equipment as at 31 December 2017 in relation to impairment made at group level in prior years, and (v) the corresponding deferred tax impact of RMB41.4 million resulting from (ii), (iii) and (iv) as at 31 December 2017.

(iii) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be RMB4.1 million and it is assumed that the fees will be settled by cash.

(iv) The amount has been extracted from the unaudited consolidated statement of financial position of the Target Group as at 31 December 2017 as set out in Appendix II to this circular.

Actual gain/loss on disposal arising from the Disposal depends on net assets of the Target Group on the completion date. Therefore, the actual gain/loss on Disposal shall be different to the amount calculated in the above table.

9. The consolidated statement of cash flows of the Group for the year ended 31 December 2018 was extracted from the Group's financial statements for the year ended 31 December 2018 in the Group's published annual report for the year ended 31 December 2018.

10. The adjustment reflects the exclusion of the cash flows of the Target Group for the year ended 31 December 2018, which was extracted from the unaudited consolidated statement of cash flows for the Target Group for the year ended 31 December 2018 as set out in Appendix II to this circular.

11. For the purpose of preparing the Unaudited Proforma Financial Information of the Remaining Group for the year ended 31 December 2018, adjustment was made to reinstate the intra-group transactions between the Target Group and the Remaining Group, which have been eliminated at group level.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Yue Da International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yue Da International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 and related notes as set out on pages III-1 to III-11 of the circular issued by the Company dated 30 September 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-11 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of Yuelong Limited and its subsidiary on the Group's financial position as at 30 June 2019 and the Group's financial performance and cash flows for the year ended 31 December 2018 as if the transaction had taken place at 30 June 2019 and 1 January 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018, on which an auditor's report has been published and the Group's financial statements for the six months ended 30 June 2019, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 or 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled 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 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2019

GW
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Hong Kong

INDEPENDENT BUSINESS VALUATION OF YUELONG LIMITED

Dear Sir/Madam,

In accordance with the instructions from Yue Da International Holdings Limited ("Yue Da", the "Client", "Company", "You"), we have performed the valuation of the Market Value of 100% equity interest in Yuelong Limited ("Yuelong", the "Target Group") as at 31 March 2019 (the "Valuation Date"). Yuelong, a wholly-owned subsidiary of the Company, holds 100% equity interest in Baoshan Feilong Nonferrous Metal Co., Ltd ("Baoshan"), which is principally engaged in the operation of the Hetaoping Lead, Zinc and Copper Mine ("Hetaoping", the "Mine", "Project") located in Baoshan City, Yunnan Province, People's Republic of China ("China", "PRC").

The following pages of the report outline the purpose of valuation, scope of work, factors considered, methodology and assumptions used in formulating the valuation conclusion. The analysis performed and conclusion are subject to the assumptions and limiting conditions contained therein in this report.

Purpose of Valuation

This report has been prepared with reference the Engagement Agreement signed between Yue Da and GW Financial Advisory Services Limited ("GWFAS", "we") dated 28 March 2019, in relation to the proposed disposal of the Target Group (the "Proposed Disposal"), a wholly-owned subsidiary of the Company, which holds 100% equity interest in Baoshan.

This report is prepared solely for the internal use of the directors and management of Yue Da (the "Management"). No third party should form reliance on this report in any form whatsoever.

This report has been prepared with reference to the general guidelines set by the International Valuation Standards (the ''IVS''), 2017 Edition.

Our work does not involve an audit of the information used and the contents presented in this report. This report is not a recommendation nor an expression of audit opinion. No party should rely on the contents of this report. We accept no responsibility to any party for the contents of this report.

Scope of Work

Yue Da has requested GWFAS to perform an independent analysis of the Market Value of 100% equity interest in Yuelong as at 31 March 2019.

As advised by the Management, the operation of the Mine is carried out by Baoshan, with Yuelong as the investment holding company of Baoshan. As such, in estimating the Market Value of Yuelong, we assessed the business operation of Baoshan on a company level and made consolidated balance sheet adjustments for the non-operating related items of Yuelong as advised by the Management. As the balance sheet is provided by the Management and is not audited by independent external auditor(s), we have relied on the Management for the accuracy and completeness of the documents and information provided.

The scope of work does not include any feasibility study nor to provide an opinion on the Proposed Disposal.

This engagement is performed on a desktop basis subsequent to a site inspection on 9 April 2019. We have relied on the information provided by the Management on the actual operational details of the Mine, assessment of the Mine past, present and future, and have also relied on the Independent Technical Adviser Report on the Hetaoping Lead, Zinc and Copper Mine prepared by SRK Consulting (''SRK'') in June 2006 (the ''Technical Report'') provided by the Company.

In the course of our work, we have held discussions with the Management regarding the outlook of the lead, zinc and copper mining industry, historical information and current operating status of the Mine and other relevant information. We have received, reviewed and relied on the relevant documents and financial information provided by the Management as well as other publicly available information we considered relevant to the valuation.

We have relied on the accuracy and completeness of the information provided to us by the Management. These information are not independently verified. Similarly, we have also relied on the accuracy and completeness of information obtained from publicly available sources. We have no reason to believe that any material facts have been withheld from us by the Management.

Valuation Conclusion

Based on the analysis outlined in the report which follows, we have estimated the Market Value of 100% equity interest in Yuelong (rounded) as **CNY230,800,000 as at 31 March 2019.**

Yours faithfully,
For and on behalf of
GW Financial Advisory Services Limited

Kelly Rui, *CFA*	**Wee Kang Keng**
Director	*Chief Executive Officer*
Engagement Lead Principal	*Engagement Quality Assurance Reviewer*

CONTENTS

1. ABBREVIATIONS

Baoshan	Baoshan Feilong Nonferrous Metal Co., Ltd.
Brigade	No. 4 Geological Brigade of Yunnan Bureau of Geology and Mineral Resources
CAPEX	Capital Expenditures
CAPM	Capital Asset Pricing Model
China or PRC	People's Republic of China
Consensus	Consensus Economics Inc.
Engagement Agreement	Engagement Agreement signed between Yue Da International Holdings Limited and GW Financial Advisory Services Limited dated 28 March 2019
Financial Forecast	Financial forecast of Baoshan Feilong Nonferrous Metal Co., Ltd.
Forecast Period	1 April 2019 to 2040
GDP	Gross Domestic Product
GWFAS or we	GW Financial Advisory Services Limited
Hetaoping, Mine or Project	Hetaoping Lead, Zinc and Copper Mine
IMF	International Monetary Fund
Indicated Mineral Resource	As defined in the JORC Code, part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit

Inferred Mineral Resource	As defined in the JORC Code, part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
IVS	International Valuation Standards
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Management	The directors and management of Yue Da International Holdings Limited
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
Measured Mineral Resource	As defined in the JORC Code, part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit

Mineral Resource	As defined in the JORC Code, concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
Modifying Factors	As defined in the JORC Code, considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
Ore Reserve	As defined in the JORC Code, economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors
Probable Ore Reserve	As defined in the JORC Code, economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
Proposed Disposal	The proposed disposal of Yuelong Limited
Proved Ore Reserve	As defined in the JORC Code, economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors

SRK	SRK Consulting
Technical Report	Independent Technical Adviser Report on the Hetaoping Lead, Zinc and Copper Mine prepared by SRK Consulting in June 2006
Valuation Date	31 March 2019
WACC	Weighted Average Cost of Capital
Yue Da, Client, Company or You	Yue Da International Holdings Limited
Yuelong	Yuelong Limited

2. ECONOMIC OVERVIEW

Overview of the Economy in China

The Chinese economy experienced rapid growth in the last few decades that catapulted the country to become the world's second largest economy. When China started the program of economic reforms in 1978, the country ranked ninth globally in nominal gross domestic product ("GDP") with USD214 billion, 35 years later it jumped up to second place globally with a nominal GDP of USD9.2 trillion.[1]

According to the National Bureau of Statistics of China, GDP of China increased steadily over the past decade and reached CNY90.03 trillion in 2018, as shown in Figure 1 below.[2] GDP growth rate fell to 6.6% in 2018 compared to 6.8% in 2017 but remained above the government's target of around 6.5% per annum.[3] According to Reuters, China has lowered its target GDP growth for 2019 to 6-6.5%.[4]

Figure 1 – GDP of China from 2008 to 2018

Source: National Bureau of Statistics of China

According to Focus Economics, the economy of China continued to show no signs of a slowdown, despite the ongoing trade war with the United States and large domestic vulnerabilities. While growth stabilized in Q1 2019 as a whole, economic data for March 2019 suggests that the economy could already have begun to recover. GDP grew 6.4% in annual terms in Q1 2019, matching Q4 2018's performance and surpassing the 6.3% growth market analysts had estimated. Moreover, Q1 2019's print was within the government's target of between 6.0% and 6.5% economic growth for 2019. The Panelists of Focus Economics predicted that GDP to grow by 6.2% in 2019 and by 6.0% in 2020.[5]

According to the World Bank, China's rapid economic growth exceeded the pace of institutional development, and there are important institutional and reform gaps that it needs to address to ensure a sustainable growth path. Significant policy adjustments are required for China's growth to be sustainable. China is making efforts to address these issues with its 13th Five Year Plan (2016-2020).[6]

World Metals and Minerals Industry

The World Bank's Metals and Minerals Price Index increased 1.7% in Q1 2019. This was a rebound from a decline in Q4 2018 that followed an even steeper decline in the preceding quarter. The price increase reflected supply concerns, progress in trade negotiations between the United States and China, and fiscal stimulus in China. Metal prices are anticipated to continue rebounding from their 2018 troughs but average 1.9% lower in 2019. Risks are broadly balanced. Downside risks include a weaker-than-expected demand boost from China's fiscal stimulus and a prolonged stall in U.S.-China trade negotiations. Most base metal prices face upside risks from the possibility of tighter-than-expected environmental policies and slower-than-expected easing of commodity-specific supply bottlenecks.

According to the World Bank, lead prices rose 3.6% in Q1 2019, in a partial rebound from declines in the preceding two quarters. Prices were supported by strong import demand from China, which accounts for two-fifths of global consumption, amid production cuts in the country as a result of efforts to reduce emissions. Inventories have also fallen to the lowest level in nearly 10 years. Lead prices are projected to gradually increase over the remainder of 2019 but remain 11.6% lower than in 2018. More stringent environmental regulations in China restricting the recycling of lead scrap materials, which accounts for more than two-fifths of total refined production, presents an upside risk to the forecast. Over the medium term, a shift toward electric vehicles is likely to depress demand for lead, which is heavily used in batteries for internal combustion engine vehicles but not in electric vehicles.

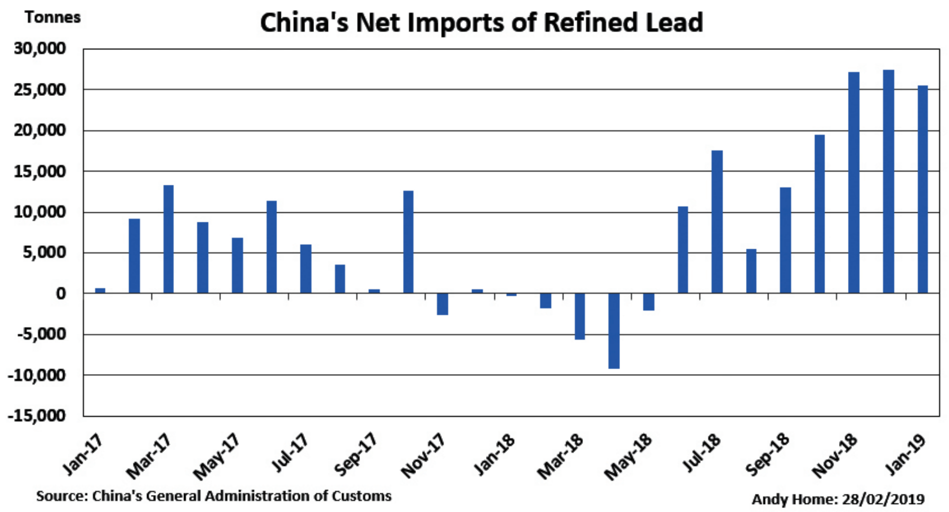
Zinc prices increased 3.1% in Q1 2019 following gains in the preceding quarter, accompanied by steep drawdowns in inventories. Price increases have largely reflected robust demand from China, which accounts for half of global consumption, and smelter bottlenecks that restricted refined output. Against the backdrop of rapidly growing zinc ore production, smelter capacity constraints have driven refining fees (zinc concentrate treatment charges) to near record highs. Zinc prices are projected to fall by 1.8% in 2019 on moderating demand and new ore production coming onstream from Australia, Canada, and South Africa. This outlook is subject to upside risk from the possibility of tighter-than-expected environmental policy in China constraining smelter capacity.

Copper prices rose 1% in Q1 2019 after a steep plunge in the second half of 2018. Since early 2019, prices have been supported by improving prospects for economic growth, and strong import copper demand in China, which accounts for half of global copper consumption. China's copper imports were encouraged by a ban on scrap imports that was initially imposed in 2017 and subsequently tightened, most recently in December 2018. China's value added tax cut in April 2019 on manufacturing, transport, and construction is expected to boost investment in copper-intensive infrastructure projects, especially in electricity and railways, and in housing. Since early 2019, copper prices have also been supported by heavy floods in Chile, production cuts in the Democratic Republic of Congo, and protests in Peru. During the remainder of the year, prices are expected to gradually increase but still average 0.6% lower than in 2018. Risks to this outlook are to the downside. In particular, the most recent fiscal stimulus package in China could lift copper demand less than earlier packages since it prioritized tax cuts over government spending.[7]

China Metal and Mineral Industry

According to Reuters, China flipped from net exporter to net importer of refined lead in 2017 and imports surged 64% to 128,127 tonnes in 2018, the highest level since 2009. The elevated call on units from outside China appears to reflect domestic supply weakness in both the primary and secondary (scrap) production streams. Refinitiv estimate that China's own production fell by 2.2% in 2018 on a combination of reduced concentrates availability and ongoing reform on the fragmented secondary sector. In 2019, lead raw materials inflows should pick up as mine supply recovers with sister metal zinc.

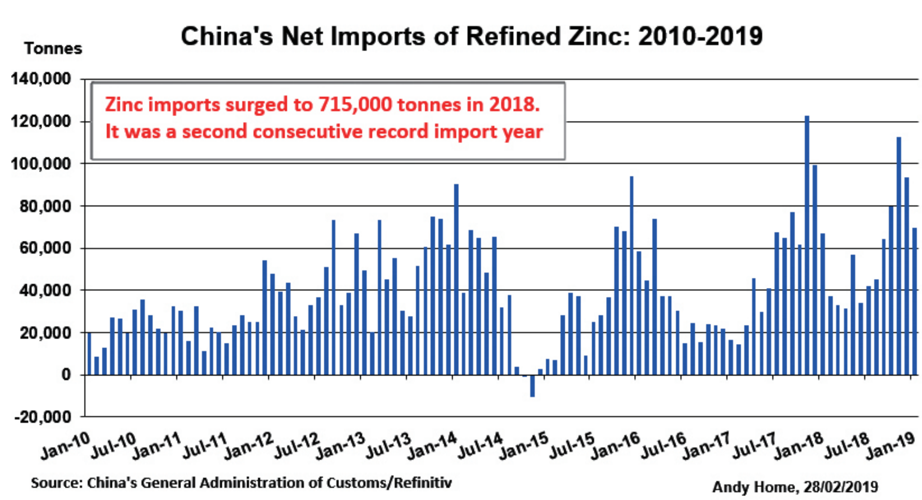
Figure 2 – China's net imports in refined lead



Source: Reuters

According to Reuters, refined zinc imports hit a record 713,355 tonnes in 2018, showing a continuation of a strong underlying trend. According to Anataike, China's national output of refined zinc fell 4.6% in 2018 due to a tight concentrates market and an escalation of environmental regulations, and has turned to the international marketplace to compensate for its own falling production. Raw materials tightness should ease in 2019 as mine supply surges, however, zinc production will also depend on whether Chinese zinc smelters are able to comply with the new solid-waste emissions regulations.

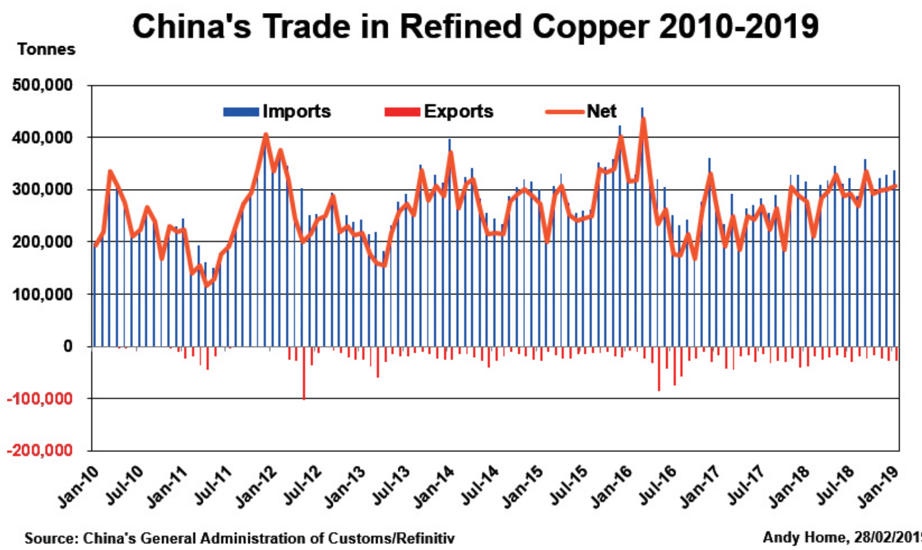
Figure 3 – China's net imports in refined zinc



Source: Reuters

China imported a record amount of refined copper of 3.75 million tonnes, and imported 19.7 million tonnes of copper concentrates in 2018, respectively, due to strong global copper mine performance and several smelter outages which have freed up material for Chinese buyers. In 2019, lower scrap imports are going to remain a feature of China's copper dynamic with the government planning another tightening of the purity rules.[8]

Figure 4 – China's trade in refined copper



Source: Reuters

1 'China Economic Overview', Focus Economics. https://www.focus-economics.com/countries/china

2 'Gross Domestic Product', National Bureau of Statistics of China. http://data.stats.gov.cn/english/easyquery.htm?cn=C01

3 'Indices of Gross Domestic Product', National Bureau of Statistics of China. http://data.stats.gov.cn/english/easyquery.htm?cn=C01

4 'China to set lower GDP growth target of 6-6.5 percent in 2019', Reuters. https://www.reuters.com/article/us-china-economy-targets-exclusive/exclusive-china-to-set-lower-gdp-growth-target-of-6-65-percent-in-2019-sources-idUSKCN1P50CJ

5 'Economic growth stabilizes in Q1 2019 as policy stimulus kicks in', Focus Economics. https://www.focus-economics.com/country-indicator/china/gdp

6 'China Overview', The World Bank. https://www.worldbank.org/en/country/china/overview#1

7 'Commodity Markets Outlook April 2019', The World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/31549/CMO-April-2019.pdf

8 'China's strong imports help explain low LME metal stocks', Reuters. https://uk.reuters.com/article/uk-china-metals-ahome/column-chinas-strong-imports-help-explain-low-lme-metal-stocks-idUKKCN1QH1PH

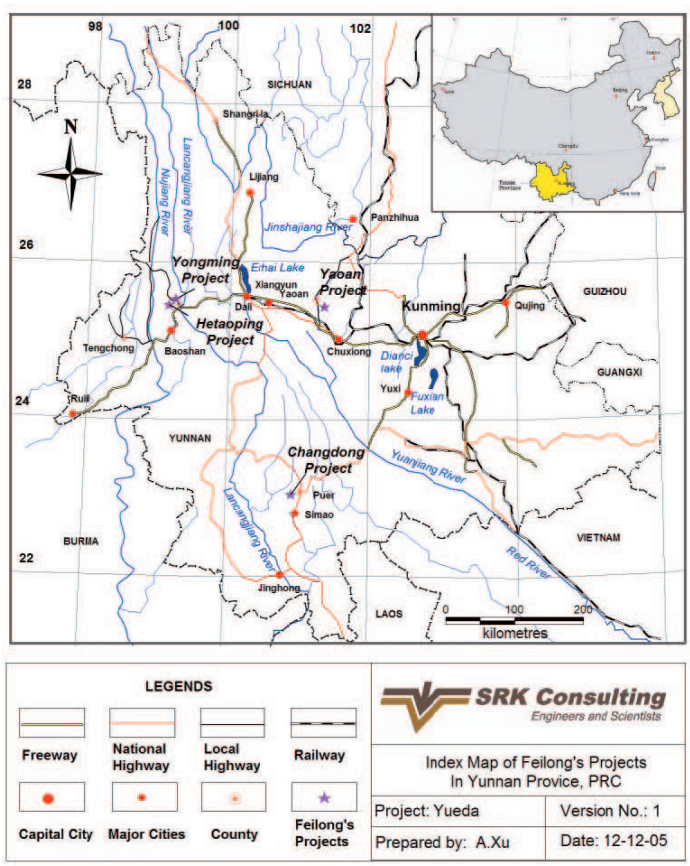
3. OVERVIEW OF THE HETAOPING LEAD, ZINC AND COPPER MINE

We have relied on the information provided in the Technical Report prepared by SRK in June 2006 provided by the Company, which SRK has conducted a site visit and carried out a high-level review of the resource and reserve estimate as provided by Baoshan. We draw reference to the Technical Report and information provided by the Management regarding the section herein.

Background and Current Status

The location of the Mine which was inspected by SRK is shown as below:

Figure 5 – Location of the Mine



Source: Technical Report

Access to Hetaoping is convenient with vehicular access via a four-lane highway from Kunming via Chuxiong, Xiangyun and Dali to Baoshan. Regional airports are available at Baoshan for rapid access for personnel. The mining and exploration operations of Hetaoping is located within 100 minutes' drive from Baoshan.

As advised by the Management, the operation in the old mining area of Hetaoping is towards its tail-end and hence the ore mined and ore quality has decreased as reflected in the results of years 2017, 2018 and the first 3 months of 2019. As construction in the new mining area is being carried out, the Management advised that mining operation will shift to the new mining area by the end of 2019, and expects that mining operations and the quality of the ore grade and recovery rate in the production of lead, zinc and copper concentrates will revert to historical levels of 2016 and before.

Mining Permit

The Mine is currently operated under mining permit no. C5300002010123240112381, effective from 23 October 2017 to 23 October 2019, granted by Ministry of Land and Resources of Yunnan Province, PRC. Details of the mining permit is shown as below:

Figure 6 – Mining Permit of the Mine

Permit Holder	Baoshan Feilong Nonferrous Metal Co., Ltd
Issuer	Ministry of Land and Resources of Yunnan Province
Location	Longyang District, Baoshan City, Yunnan Province
Name of Mine	Baoshan Feilong Nonferrous Metal Co., Ltd Hetaoping Lead and Zinc Mine
Types of Minerals	Lead, Zinc
Mining Method	Underground Mining
Production Scale	90,000 tonnes per Year
Mining Area	5.0096 square kilometres
Validity Period	23 October 2017 to 23 October 2019

Source: the Management

As advised by the Management, application for the renewal of the mining permit was submitted in March 2019 and based on past experience, it will be renewed once every few years depending on the production plan submitted for the mining permit renewal application, the costs of renewal are minimal. The Management expects that the mining permit will be successfully renewed in the future and the mining operations will not be affected as the renewal is an administrative process.

Geology and Mineralogy

According to the Technical Report, the main geological report on the Mine is prepared by the No. 4 Geological Brigade of Yunnan Bureau of Geology and Mineral Resources (the "Brigade") in 1993, which was updated by Baoshan in 2004. Mineralisation at Hetaoping is located within a skarn. The skarn is controlled by a fault zone and includes a number of cross-cutting veins of fibrous actinolite ranging in thickness from 1-15cm. Mineralisation is located between a footwall sequence of marl and a hangingwall marble. The footwall marl is a well-bedded crystalline sequence of alternating green and white bands of calcareous rocks. The footwall boundary is marked by a zone of shearing and alteration. The skarn is sub-parallel to bedding. The hangingwall has a sharp contact with skarn and is altered to marble. The boundaries between mineralisation and host rocks are sharp on the hangingwall against marble, but mineralisation on the footwall can be either sharp against footwall marl, or gradational to un-mineralised skarn.

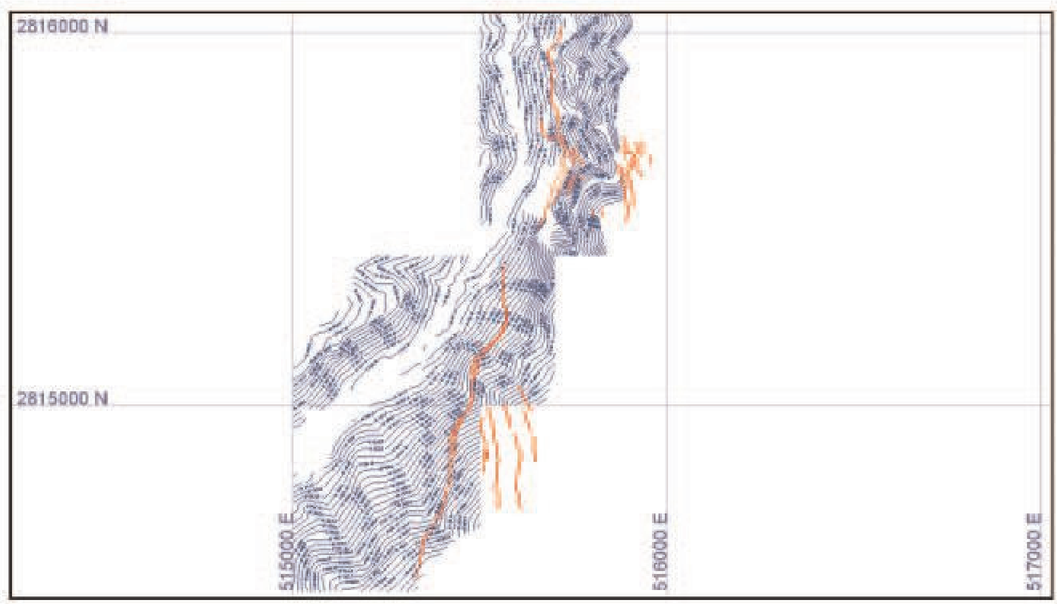
The host rocks are metamorphosed to low grade regional facies. Skarn is controlled by fractures and two types of skarn are described

- Early stage alteration, not closely related to mineralisation. This has simple mineralogy composed of garnet, diopside, hedenbergite and minor tremolite and actinolite.

- Mineralised skarn is more altered, comprising garnet, diopside, hedenbergite and minor tremolite and actinolite, with epidote, ilvaite, chlorite, quartz and calcite. The more altered skarn occurs as veins.

Two zones of mineralisation have been reported in the Mine, referred to as the V1 (northern) and V6 (southern) orebodies. The northern zone extends from 2817000mN to 2815450mS and has been the main focus of mining activity. The southern zone extends for 900m south from 2815400mN and the current mining activity is restricted to a 300m zone south of 2815050mN. The geology of the area around the northern and southern orebodies is shown in Figure 7.

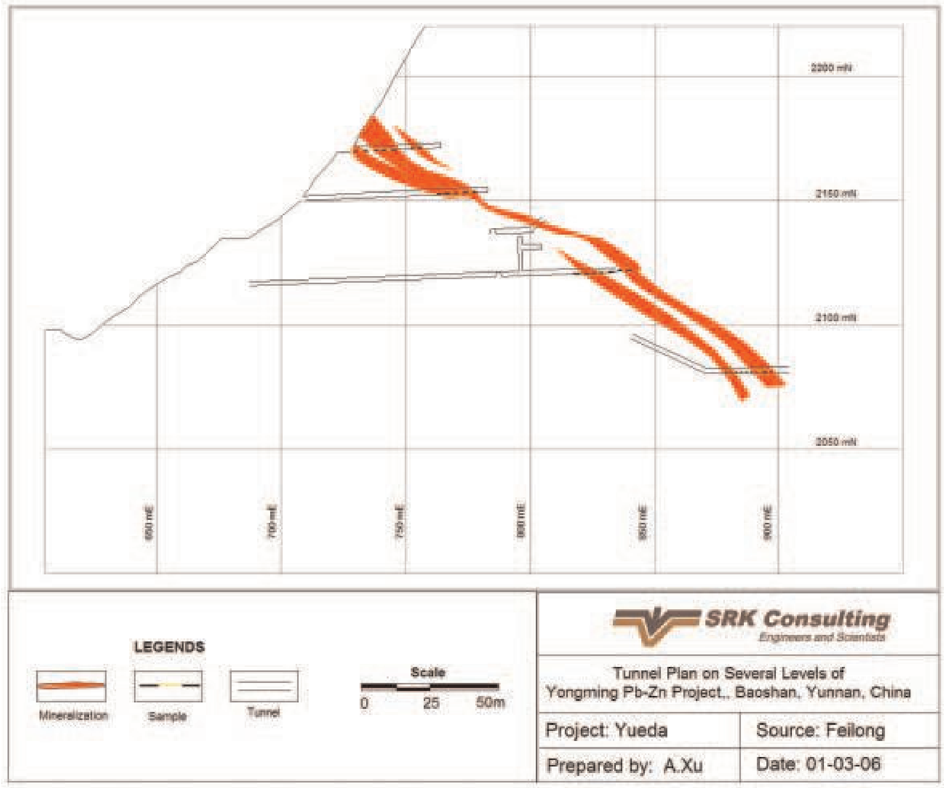
Figure 7 – Outcrop Sketch of the Geology and Location of the Main Ore Bodies



Source: Technical Report

The central part of the northern zone was investigated in detail by the Brigade in 1993 and further work by the Company in 2004 has helped define the current orebody geometry. The northern V1 orebody occurs in the F1 fault zone. The footwall contact is a narrow breccia zone. The orebody extends over 500m in surface outcrop and extends down-dip at least 240m. The orebody dips on average 408E, but the dip varies between 258 and 508 along the strike length of the orebody. A typical cross section through the V1 orebody is shown in Figure 8. The V1 orebody is quite complex and there are several separate individual ore lenses that make up the orebody. These are all in sub-parallel lenses and vary in size from 50m to 175m in strike and from 15m to 100m down dip. The recent company work suggests that there is difficulty in correlating these ore lenses from adjacent levels, so it is difficult to define specific resources to these lenses. Neither the Brigade, nor the Company has modelled these individual lenses and the Brigade included these as Class E reserves. The thickness of the main zone of V1 varies from 1.0m-29m on the surface and underground the thickness varies from 1.2m-25m, with an average of about 7m.

Figure 8 – Cross-Section through V1 Orebody



Source: Technical Report

The V6 orebody is controlled by the F2 fault and the surface expression extends for 800m along strike. V6 has an average dip of 408 east and extends at least 320m down dip. The dip ranges from 308 to 508E. This orebody is much more consistent in thickness and geometry than V1. The V6 orebody averages 3.9m thick on surface and 5.0m in the underground workings (ranging from 1.5m-10m). No additional ore lenses have been discovered, although there is currently exploration for additional ore in the hangingwall. A southern extension of V6 has been discovered, but has not yet been explored sufficiently to include in the reserve numbers. The V6 orebody is offset by a series of WNW striking faults, with relatively small offset, but these do cause problems during mine development in locating the offset orebodies across the drives.

There are two different types of ore, with an upper oxidised zone extending up to 80m from surface. Much of the oxidised material has been mined. The oxidised zone is defined as containing 430% oxidised minerals. The major ore minerals include galena, sphalerite, hemimorphite, cerussite, anglesite, limonite and malachite. The sulphide zone comprises galena, sphalerite, pyrite and chalcopyrite.

Resource and Reserve Estimates

According to the Technical Report, the resource and reserve of the Mine are estimated by the No. 4 Geological Brigade of Yunnan Bureau of Geology and Mineral Resources (the "Brigade") in 1993, which was updated by Baoshan in 2004. SRK carried out a high-level review of the resource and reserve of the Mine as provided by Baoshan. SRK is satisfied that the resource and reserve estimate have been calculated in adherence to requirements as prescribed by the governing state committee for resources at the stage of development back in 2006. The conventional methods of estimation have generally been applied conservatively and to the required standard of diligence. It is in SRK's opinion that the estimate is reliable and represent a reasonable global estimate of Hetaoping's Mineral Resources although they are not in full compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

The resources calculated in 1993 were based on a combination of surface sampling in trenches and sampling adits driven from the footwall. Sampling was based on 5 adits with a spacing of 160-200m, with sampling at 100m sampling along the lines. On the surface sampling was by trenches with a spacing of 20-60m with continuous channel samples of a 1m with a maximum 1.6m. The samples were 10cm wide x 5cm deep.

The company calculated an updated resource estimate in 2004 shown in Figure 9 below, which includes only material available for future mining activities at the date of the reserve.

Figure 9 – Mineral Resources Estimated in Hetaoping (2004)

Ore Body #	Category	Tonnage	Pb	Zn	Pb	Zn
V1	C+D	1,239,636	1.98	6.58	24,544	81,568
	E	2,496,035	2.42	6.81	60,385	169,892
V6	D	312,115	2.26	4.90	7,053	15,293
	E	2,888,589	2.97	5.51	85,790	159,160
	C+D	1,551,751	2.04	6.24	31,597	96,861
Total and Average	E	5,384,624	2.71	6.11	146,175	329,052

Source: Technical Report

Before 1999, China used a letter system to categorise reserves/resources. This has been replaced by a three number system. However, both the systems are different from the criteria used in defining a resource under the JORC Code published by the Australian Joint Ore Reserves Committee. In general, Category B is similar to Measured Mineral Resource, C to Indicated Mineral Resource and D to Inferred Mineral Resource. Category E usually cannot be classified as a Mineral Resource.

SRK note that this estimate does not necessarily comply with the Chinese standard and has not been approved by the Yunnan Bureau of Geology and Mineral Resources or the Ministry of Land and Resources. Based on the Chinese standard, some ore bodies at Hetaoping delineated by the new exploration tunnels may be categorized as Class B, but the mine did not maintain a detailed record of samples taken and did not have any quality control of the analyses. As a result, it is necessary to downgrade the category to C or D. SRK obtained tunnel plan maps of several levels which contain average grades and width data. Although SRK did not verify each of the data, the examination and recalculation by SRK geologists show that the method the Mine used and the figures of categories C+D and E estimated by the Mine are reasonable.

As advised by the Management, following production of the Mine, the Ore Reserve (rounded) is estimated at 5,700,000 tonnes, which is based on the resource estimate (rounded) of 6,900,000 tonnes of resource categories C, D and E with reference to the Technical Report, and a dilution rate of 18% and a mining loss rate of 30% during the ore mining process based on historical mining characteristics.

As advised by the Management, the Mineral Resource estimate as stated in the Technical Report was calculated back in 2004. Since then, the Mine has been in production stage from 2006 to 2019, with 1,558,768 tonnes ore mined by the Company as at the Valuation Date. As such, with gradual mining operation, attributes of past "Mineral Resource" can be known with higher certainty as lead, zinc and copper veins/deposits are discovered and mined. Hence, Management assessed that it is reasonable to assume that the previously assessed resource, after adjustments for dilution and mining loss rate, approximates that of "Ore Reserve" as defined in the JORC Code as attributes regarding tonnage, densities, shape, physical characteristics grade and mineral content can be estimated with increased levels of confidence and the proven economic feasibility of extraction, evidenced by the many years of proven extraction. This proven extraction record and in-house technical assessment is deemed by Management to be more accurate and current than the estimation work conducted in 2004. The Company has not further updated the Technical Report.

In addition, the Mine was purchased in 2006 with the volume of Mineral Resource based on the Technical Report, and it would be consistent to apply the same volume after adjustments for dilution and mining loss rate to estimate the Ore Reserve as this volume previously classified as Mineral Resource are now approximate to that of Ore Reserve what with the multiple years of proven mining with economic certainties. This consistency in application of the volume estimate thus ensures the Proposed Disposal does not underestimate the amount of Ore Reserve and ultimately the value of the Mine as compared to the volume of Mineral Resource during the purchase in 2006.

As advised by the Management, the accumulated ore mining in the Mine by Baoshan from 2006 to the Valuation Date amount to 1,558,768 tonnes. The historical mining schedule is shown as below:

Figure 10 – Historical Mining Schedule

Year	**Ore Mined** *(tonnes)*
2006	168,500
2007	174,400
2008	140,600
2009	115,761
2010	129,205
2011	117,945
2012	116,005
2013	112,392
2014	104,200
2015	98,766
2016	76,695
2017	101,200
2018	86,208
01/01/2018 – 31/03/2019	16,890

Source: the Management

Mining and Processing

According to the Technical Report, the Mine inspected by SRK use hand-held mining method for development with waste removal being manually loaded into rail wagons of $0.7m^3$ capacity. The ore mining methods used are lowly mechanised and selected to meet the encountered ground conditions and the geometry of the ore bodies.

The low productivity of the lowly mechanised stopes requires a larger number of active stopes to meet the production targets than would be the case for a more mechanised method. The Mine operates eight open stopes with stulls in the moderately dipping No. 6 orebody. The stopes are 30m wide and prepared by three raises each at 10m centres. The raises connect the lower and upper level and provide ventilation and stope access. These stopes provide in the average 60 tonnes per day.

The ore from Hetaoping is processed in three plants which have been installed in two phases. The first stage completed in June 2003 was the installation of a 300 tonne per day and a 250 tonne per day capacity plant. Subsequently and third processing unit 250 tonne per day capacity was added in June 2004 increasing the nominal capacity of the Mine's processing plants to 800 tonnes per day.

The unit processes used in all three plants is similar and are typical of polymetallic Pb Zn ores and the flowsheet reflects normal world treatment routes for this type of mineralization. The comminution circuit comprises two stage crushing of run of mine ore from 350mm to 19mm followed by rod milling and ball milling in closed circuit with a screw classifier. After conditioning with chemical reagents, the ground pulp is submitted to froth flotation in two stages. The first produces a lead copper concentrate and the second subsequent flotation process produces a zinc concentrate. As advised by the Management, in 2010, Baoshan was able to separate the lead copper concentrates due to new development in the refining technology, and have been selling lead concentrates and copper concentrates separately since 2010. The concentrates are separately dewatered and despatched by road to smelters for further processing. SRK note that generally the plants appear to be of a satisfactory standard and efficiently run.

Environmental Risks

As noted in the Technical Report, the most significant environmental risks for the Mine are:

- Water quality management (i.e. tunnel water discharges and surface water discharges);
- Process tailings management;
- Solid waste management;
- Air quality and noise management;

The environmental risks associated with water quality, process tailings, solid waste, air quality and noise, can be generally be managed if Chinese national environmental standards and regulatory requirements are met, which could be achieved by obtaining environmental permits and having adequate environmental monitoring and site environmental management.

4. BASIS OF VALUE

This report has been prepared with reference to the general guidelines set by the IVS, 2017 Edition.

We have performed the valuation based on the Market Value with reference to the IVS. As defined in the IVS, Market Value is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

5. SOURCES AND INFORMATION REVIEWED

This engagement is performed on a desktop basis subsequent to a site inspection on 9 April 2019. We inspected the processing facilities of the Mine, and was advised by the Management that there are environmental, health and safety measures set up within the site. Detailed discussions also took place with the key operating personnel of Baoshan regarding the current and future mining and processing activities. We have no reason to doubt the truth and accuracy of the information provided to us by the Management.

In the course of our work, we have held discussions with the Management regarding the outlook of the lead, zinc and copper mining industry, historical information and current operating status of the Mine and other relevant information. We have received, reviewed and relied on the following information provided by the Management, including, but not limited to:

- Information on the Mine including, but not limited to, general description, mining licenses, permits, legal and registration documents, overview of the lead, zinc and copper mining industry in the PRC and the development and current operating status of the Mine;
- Review of the mining operations and Ore Reserve estimation with reference to the Technical Report;
- Historical audited financial statements of Baoshan;
- Historical financial information reference mining operations of Baoshan;
- Financial forecast of Baoshan (the "Financial Forecast") from 1 April 2019 to 2040 (the "Forecast Period");
- Other information and representations provided by the Management.

In addition, we have obtained information from publicly available sources including the internet and Bloomberg, including, but not limited to:

- The IVS, 2017 Edition;
- Economic overview of the PRC;
- Inflation rate of China with reference to the International Monetary Fund (the "IMF");
- USDCNY forward rate with reference to Bloomberg;
- Lead, zinc and copper concentrates price forecasts with reference to Consensus Economics Inc. ("Consensus");
- Lead, zinc and copper concentrates futures contracts and financial information of comparable companies from Bloomberg.

We have relied on the accuracy and completeness of the information provided to us by the Management. These information are not independently verified. Similarly, we have also relied on the accuracy and completeness of information obtained from publicly available sources. We have no reason to believe that any material facts have been withheld from us by the Management.

6. METHODOLOGY

As advised by the Management, the operation of the Mine is carried out by Baoshan, with Yuelong as the investment holding company of Baoshan. As such, in estimating the Market Value of Yuelong, we assessed the business operation of Baoshan on a company level and made consolidated balance sheet adjustments for the non-operating related items of Yuelong as advised by the Management. As the balance sheet is provided by the Management and is not audited by independent external auditor(s), we have relied on the Management for the accuracy and completeness of the documents and information provided.

There are three generally accepted approaches to estimate the Market Value of Yuelong, including the Market Approach, Income Approach and Cost Approach.

The Market Approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The Market Approach often uses market multiples derived from a set of comparables, each with different multiples. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors.

The Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

The Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In the estimating the Market Value of Yuelong, the Market Approach is considered not appropriate as there are insufficient similar relevant mine transactions to form a reliable basis. The Cost Approach is also not considered appropriate as it ignores the future economic benefits of the Mine.

We adopted the Income Approach to estimate the Market Value of Yuelong. The Income Approach – discounted cash flow method involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate should consider the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued.

We adopted the weighted average cost of capital ("WACC") of Baoshan as the discount rate. WACC is derived with the formula below:

$$WACC = E/C \times Re + D/C \times Rd$$

Where:
Re = Cost of equity
Rd = After-tax cost of debt
E = Market value of total equity
D = Total debt
C = Total capital = E + D

The cost of equity is based on the Capital Asset Pricing Model ("CAPM") and is calculated using the formula below:

$$Re = Rf + \beta Rm + \alpha$$

where:
Re = cost of equity
Rf = risk free rate
β = beta
Rm = equity risk premium
α = size premium, any other applicable premium.

7. KEY ASSUMPTIONS

We have performed our analysis based on the following assumptions:

- **Ore Reserve** – As advised by the Management, the Ore Reserve estimate of the Financial Forecast is based on the Technical Report, which is the latest information available to the Management. As advised by the Management, following production of the Mine, the Ore Reserve (rounded) is estimated at 5,700,000 tonnes, which is based on the resource estimate (rounded) of 6,900,000 tonnes of resource categories C, D and E with reference to the Technical Report, and a dilution rate of 18% and a mining loss rate of 30% during the ore mining process based on historical mining characteristics. We note that, as stated in the Technical Report, in general, Category B is similar to Measured Mineral Resource, C to Indicated Mineral Resource and D to Inferred Mineral Resource. Category E usually cannot be classified as a Mineral Resource, and this estimate has not been approved by the Yunnan Bureau of Geology and Mineral Resources or the Ministry of Land and Resources. However, SRK note that the examination and recalculation by SRK geologists show that the method the Mine used and the figures of categories C+D and E estimated by the Mine are reasonable, for further details, please refer to "Resource and Reserve Estimates" in Section 3 – Overview of the Hetaoping Lead, Zinc and Copper Mine.

- **Ore grade and recovery rate** – As advised by the Management, ore grade and recovery rate of lead, zinc and copper concentrates in the Financial Forecast are based on the historical ore grade and recovery rate. Ore grade of lead, zinc and copper in the Financial Forecast are 1.44%, 5.36% and 0.15% and the recovery rates are 60%, 81% and 60%, respectively.

The ore grade of lead and zinc in the Financial Forecast are slight lower than the ore grade as stated in the Technical Report. As advised by the Management, Baoshan has been operating the Mine from 2006 to 2019 with 13 years of ore grade and recovery rate data collected to date. As such, the Management assessed that it is more appropriate to use historical performance as a reference for ore grade and recovery rate. This proven production record and in-house technical assessment is deemed by Management to be more accurate and current than the estimation work conducted during in 2004. The Company has not further updated the Technical Report.

As advised by the Management, the operation in the old mining area is towards its tail-end and hence the ore mined and ore quality has decreased as reflected in the results of years 2017, 2018 and the first 3 months of 2019. As construction in the new mining area is being carried out, the Management advised that mining operation will shift to the new mining area by the end of 2019, and expects that ore grade and recovery rate will revert to historical levels of 2016 and before.

- **Ore mined as at the Valuation Date** – As advised by the Management, the accumulated ore mining in the Mine by Baoshan from 2006 to the Valuation Date amount to 1,558,768 tonnes, and the remaining Ore Reserve available for mining (rounded) is 4,200,000 tonnes as at the Valuation Date;

- **Mining life** – As advised by the Management, the Financial Forecast is based on an annual ore mining capacity of 200,000 tonnes starting from 2021. According to current ore mining schedule provided by the Management, the economic life of the Mine is through 2040, when its Ore Reserve amount (rounded) of 5,700,000 tonnes have been fully extracted;

- **Lead, zinc and copper concentrates sales price** – As advised by the Management, the sales price of lead, zinc and copper concentrates are reference to the spot price of lead, zinc and copper concentrate quoted on the Shanghai Metals Market ("SMM") with specific adjustments regarding the actual purity level of lead, zinc and copper concentrates produced by Baoshan, as per the contractual agreements between Baoshan and its clients. As advised by the Management, the pricing for the lead, zinc and copper concentrates produced by Baoshan are shown as below, purity adjustments are forecast to be insignificant throughout the Forecast Period:

  - Lead Concentrates = SMM reference price – CNY3,000 + purity adjustments;

  - Zinc Concentrates = SMM reference price – (CNY6,500 + (SMM reference price – CNY15,000) × 20%) + purity adjustments;

  - Copper Concentrates = SMM reference price × 79% + purity adjustments.

- **Successful renew of permit and licenses** – As advised by the Management, it is assumed that all relevant permits, licenses, documents and any other approvals required for the mining operation would be successfully obtained or renewed upon expiry during the Forecast Period with minimal costs;

- **Financial Forecast** – As advised by the Management, the Financial Forecast (including, but not limited to, the lead, zinc and copper concentrates production schedule, pricing policy of lead, zinc and copper concentrates, costs, expenses and capital expenditures ("CAPEX") reflects the best estimate of the Mine's future operation by the Management;

- **Inflation and interest rates** – It is assumed that inflation and interest rates will remain constant during the Forecast Period;

- **VAT, resource tax and corporate tax policy** – It is assumed that VAT, resource tax and corporate tax policy applicable to Baoshan will remain constant during the Forecast Period;

- **Liquidity and working capital** – It is assumed that Baoshan will have sufficient financial liquidity and working capital during the Forecast Period in order to achieve the Financial Forecast;

- **Transportation network** – It is assumed that the current transportation network and capacity remain reliable and relevant for the future mining products.

- **Macroeconomic factors** – It is assumed that there will be no material changes in the current political, legal, technological, fiscal or economic conditions that may have a material adverse effect on the operation of the Mine;

- **Extraordinary events** – It is assumed that there will not be any extraordinary or unforeseeable events that are beyond the control of the Management, including, but not limited to legal disputes, natural disasters, catastrophes, epidemics and serious accidents, that may have a material adverse effect on the operation of the Mine.

8. VALUATION ASSUMPTIONS

For the purpose of this analysis, we have relied on the Technical Report and the Financial Forecast of Baoshan prepared by the Management from 1 April 2019 to 2040, excluding the lead, zinc and copper concentrates price forecast. As advised by the Management, the Financial Forecast is stated in nominal terms.

Ore Reserve Estimate

As advised by the Management, following production of the Mine, the Ore Reserve (rounded) is estimated at 5,700,000 tonnes, which is based on the resource estimate (rounded) of 6,900,000 tonnes of resource categories C, D and E with reference to the Technical Report, and a dilution rate of 18% and a mining loss rate of 30% during the ore mining process based on historical mining characteristics.

Available Ore Reserve outstanding as at the Valuation Date

As advised by the Management, the accumulated ore mining in the Mine by Baoshan from 2006 to the Valuation Date amount to 1,558,768 tonnes, and the remaining Ore Reserve available for mining (rounded) is 4,200,000 tonnes as at the Valuation Date, as based on the ore reserve minus the mined amount to date.

Production Schedule

As advised by the Management, the Financial Forecast is based on an annual ore mining capacity of 200,000 tonnes per year starting from 2021. The Management advised that in order to realise the annual ore mining capacity of 200,000 tonnes starting from 2021, additional capital expenditures of CNY7,000,000 per year will be incurred from 2019 to 2022. According to current ore mining schedule provided by the Management, the economic life of the Mine is through 2040, when its Ore Reserve amount (rounded) of 5,700,000 tonnes have been fully extracted.

Ore Grade and Recovery Rate

As advised by the Management, ore grade and recovery rate of lead, zinc and copper concentrates in the Financial Forecast are based on the historical ore grade and recovery rate. Ore grade of lead, zinc and copper in the Financial Forecast are 1.44%, 5.36% and 0.15% and the recovery rates are 60%, 81% and 60%, respectively.

Lead, Zinc and Copper Price Forecast

For 2019, we adopted the lead, zinc and copper concentrates price with reference to the average closing price of the lead, zinc and copper concentrates futures contracts from the Shanghai Futures Exchange with expiry date from April 2019 to December 2019 as at the Valuation Date with company specific adjustments.

From 2020 to 2028, as there are no frequently traded futures contracts of lead, zinc and copper concentrates from the Shanghai Futures Exchange expiring after December 2019 as at the Valuation Date, we adopted the lead, zinc and copper concentrates price forecast by Consensus Economics Inc. to estimate the lead, zinc and copper concentrates reference price for Baoshan from 2020 to 2028 with company specific adjustments. The forecast prices by Consensus are translated into CNY using the USDCNY forward rate as at the Valuation Date with reference to Bloomberg.

From 2029 to 2040, as there are no lead, zinc and copper concentrates price forecast by Consensus Economics Inc., we assumed the price of lead, zinc and copper concentrates from 2029 to 2040 to be the same as 2028, and are translated into CNY using the USDCNY forward rate as at the Valuation Date with reference to Bloomberg.

As advised by the Management, the pricing for the lead, zinc and copper concentrates produced by Baoshan are shown as below, purity adjustments are forecast to be insignificant throughout the Forecast Period:

- Lead Concentrates = SMM reference price – CNY3,000 + purity adjustments;
- Zinc Concentrates = SMM reference price – (CNY6,500 + (SMM reference price – CNY15,000) × 20%) + purity adjustments;
- Copper Concentrates = SMM reference price × 79% + purity adjustments.

The adopted lead, zinc and copper concentrates unit prices are shown as below:

Forecast Period	USDCNY Forward Rate	Lead Concentrates *(CNY thousand per tonne)*	Zinc Concentrates *(CNY thousand per tonne)*	Copper Concentrates *(CNY thousand per tonne)*
2019/04/01 – 2019/12/31	–	13.8	14.0	38.5
2020	6.8019	14.4	12.8	42.3
2021	6.8618	14.8	12.7	43.6
2022	6.9688	15.0	13.0	45.8
2023	6.9624	14.9	13.0	45.7
2024	7.1277	15.7	14.0	47.3
2025	7.3172	16.2	14.4	48.4
2026	7.4482	16.4	14.7	49.2
2027	7.5626	16.7	15.0	49.8
2028	7.6730	16.9	15.2	50.5
2029	7.7823	17.2	15.5	51.1
2030	7.8907	17.4	15.7	51.8
2031	7.9991	17.7	15.9	52.4
2032	8.1079	17.9	16.2	53.1
2033	8.2160	18.1	16.4	53.7
2034	8.3324	18.4	16.6	54.4
2035	8.4528	18.6	16.9	55.1
2036	8.5728	18.9	17.2	55.8
2037	8.6924	19.2	17.4	56.5
2038	8.8121	19.4	17.7	57.2
2039	8.9451	19.7	18.0	58.0
2040	9.0839	20.0	18.3	58.8

Cost of Goods Sold

As advised by the Management, cost of goods sold is forecast based on historical cost of goods sold per tonne of ore mined. Cost of goods sold mainly include mining costs, refining costs and resource tax. As advised by the Management, mining costs and refining costs are forecast to increase by 3.00% every 2 years starting from 2020.

The assumptions for cost of goods sold are shown as below:

Cost of Goods Sold	Mining Cost	Refining Cost	Inflation Rate	Resource Tax Rate
Unit	*CNY/tonne of ore mined*	*CNY/tonne of ore mined*	*%*	*% of Revenue*
2019/04/01 – 2019/12/31	180	140	–	5%
2020	185	144	3%	5%
2021	185	144	–	5%
2022	191	149	3%	5%
2023	191	149	–	5%
2024	197	153	3%	5%
2025	197	153	–	5%
2026	203	158	3%	5%
2027	203	158	–	5%
2028	209	162	3%	5%
2029	209	162	–	5%
2030	215	167	3%	5%
2031	215	167	–	5%
2032	221	172	3%	5%
2033	221	172	–	5%
2034	228	177	3%	5%
2035	228	177	–	5%
2036	235	183	3%	5%
2037	235	183	–	5%
2038	242	188	3%	5%
2039	242	188	–	5%
2040	249	194	3%	5%

Expenses

As advised by the Management, expenses of Baoshan include VAT surcharges, selling expense and administrative expense. According to the Management, VAT surcharges include urban maintenance and construction tax of 3% and educational surtax of 3%, the applicable VAT for Baoshan is 13%. Selling expense and administrative expense are forecast based on historical selling expense and historical administrative expense, and are forecast to increase by 3.00% every 2 years starting from 2020.

Income Tax

The PRC statutory corporate tax rate of 25% is adopted in the Financial Forecast.

Capital Expenditures

We adopted the CAPEX forecast as provided by the Management. As advised by the Management, CAPEX include additional CAPEX and maintenance CAPEX. The Management advised that additional capital expenditures of CNY7,000,000 per year will be incurred from 2019 to 2022 and maintenance CAPEX is forecast as CNY3,400,000 per year after 2022 based on historical maintenance CAPEX.

The assumptions for CAPEX are shown as below:

Year	**Additional CAPEX** *(CNY)*	**Maintenance CAPEX** *(CNY)*
2019/04/01 – 2019/12/31	7,000,000	–
2020	7,000,000	–
2021	7,000,000	–
2022	7,000,000	–
2023	–	3,400,000
2024	–	3,400,000
2025	–	3,400,000
2026	–	3,400,000
2027	–	3,400,000
2028	–	3,400,000
2029	–	3,400,000
2030	–	3,400,000
2031	–	3,400,000
2032	–	3,400,000
2033	–	3,400,000
2034	–	3,400,000
2035	–	3,400,000
2036	–	3,400,000
2037	–	3,400,000
2038	–	3,400,000
2039	–	3,400,000
2040	–	3,400,000

Net Working Capital

We forecast each item in the working capital with reference to the turnover days provided by the Management, respectively. Then the net working capital and change in net working capital are derived accordingly.

- We adopted 191 turnover days for inventory as provided by the Management.
- We adopted 47 turnover days for account payables as provided by the Management.

Free Cash Flow

We derived the free cash flow from 1 April 2019 to 2040 based on the assumptions mentioned above and forecast of each item in the discounted cash flow model.

WACC

The WACC of 15.85% was adopted to discount the free cash flow, the summary of the key inputs of WACC as at the Valuation Date is shown as below:

Key Inputs	**Value**	**Reference**
Risk-Free Rate	3.70%	30-year China Government Bond Yield as at the Valuation Date
Equity Risk Premium	9.38%	Bloomberg Equity Risk Premium of China as at the Valuation Date
Unlevered Beta	0.99	Industry average
Relevered Beta	1.10	
Debt to Equity Ratio	14.85%	Industry average
Size Premium	3.67%	Ibbotson Associates 2017 Yearbook CRSP Deciles Size Premium Micro-Cap 9-10
Pre-Tax Cost of Debt	4.90%	China Above 5 Years Best Lending Rate as at the Valuation Date
PRC Statutory Tax Rate	25%	Statutory tax rate of China

Based on the assumptions above, the WACC of 15.85% was derived.

Adjustments

We adopted CNY-56,500,000 (rounded) as the adjustment to the sum of the present value of the free cash flow with reference to cash, debt, non-operating assets and non-operating liabilities of Yuelong as provided by the Management on a consolidated level as at the Valuation Date.

9. VALUATION CONCLUSION

We have relied on the above assumptions in the estimation of the Market Value of Yuelong and deviations from the above assumptions may have a significant impact on the valuation result. The Management has been shown key assumptions used and have confirmed to us that the facts stated are accurate.

Based on the methodology and analysis mentioned above, we have estimated the Market Value of Yuelong (rounded) as **CNY230,800,000** as at 31 March 2019.

10. SENSITIVITY ANALYSIS

We performed sensitivity test regarding the WACC with other assumptions remaining the same. The results of the sensitivity test (rounded) are as follows:

Sensitivity Analysis	**–1%**	**WACC**	**+1%**
WACC	14.85%	15.85%	16.85%
Market Value 100% equity interest in Yuelong *(CNY)*	250,200,000	230,800,000	213,400,000

11. KEY RISK FACTORS

Concession Risk

We note that the current mining permit expires in October 2019. The operation of the Mine required numerous licences and permits which needs to be renewed periodically by local governing bodies. Any significant delays or failure in obtaining or renewing these licences, permits and approvals can have a material adverse effect on the mining operation, cash flow and profitability of Yuelong.

Mining Risk and Economic Feasibility

Ore mining operation and performance is not an exact science with exact predictability. It can be significantly impacted by the attributes of the deposit, such as size, ore grade, lead, zinc and copper prices, operating costs, required capital expenditure and government regulations, regulations, allowable production and environmental protection. Any significant changes of the above factors can have material adverse effect on the economic feasibility of the Mine.

In addition, operating cost and required capital expenditures estimates are based on assumptions with respect to the method and timing of production. Actual costs and capital requirements are subject to significant uncertainties and significant deviations in these estimates may have a material adverse impact on the economic feasibility of mining.

Lead, Zinc and Copper Concentrates Prices

Lead, zinc and copper concentrates prices are influenced by domestic and international supply and demand, performance of competitors, natural disasters, macroeconomic and political factors, amongst others, that are beyond the control of the Management. In addition, the valuation performed has relied on lead, zinc and copper concentrates price forecasts from different sources as at the Valuation Date. However, actual lead, zinc and copper concentrates prices in the future may not be in line with the forecast due to the factors mentioned above. Such deviations from the forecast lead, zinc and copper concentrates prices may have a significant impact on the mining operation and profitability of Baoshan.

Equipment, Technical Personnel and Contractors

There are risks associated with the functionality of equipment and the sufficiency of technical personnel, which may also be influenced by increased demand due to unforeseen circumstances. Such changes may impact the planned schedule of production and budget.

Environmental Regulations, Health and Safety

Stricter regulations in recent years has increased risk of impact to the operation of the Mine. Changes in environmental regulations and safety requirements can affect the production schedule of Baoshan. Any failure to observe site safety and health of mine workers can lead to suspension of mining operation by governing bodies.

The Management intends to maintain appropriate workplace procedures and protocols in order to comply with the relevant environmental, health and safety regulations.

Changes in Legal Environment

Mining and corporate laws and regulations regarding mining permits, environmental protection, health and safety standards and taxation policies are subject to change, often in response to significant economic, political and social events. Dramatic changes in the above factors may significantly impact the mining operation and profitability of Baoshan.

Macroeconomic Factors

Changes in macroeconomic conditions in the world economy and the PRC, such as changes in fiscal and monetary policies, inflation rates, exchange rates, interest rates, employment rates and market sentiment may affect the demand for lead, zinc and copper concentrates and may significantly impact the mining operation and profitability of Baoshan.

Extraordinary Events

Extraordinary or unforeseeable events that are beyond the control of the Management may have a significant impact on the financial performance of Baoshan. Earthquakes may result in the destruction of transportation network, infrastructure, storage and the collapse of underground mine. Other extraordinary events include, but are not limited to legal disputes, natural disasters, catastrophes and epidemics which may also have a material adverse effect on the operation of the Mine.

12. LIMITATIONS

Our work has been performed in accordance with and subject to the Engagement Agreement, the highlight of the key limitation include, but not limited to, the following:

(a) This engagement is performed on a desktop basis subsequent to a site inspection on 9 April 2019.

(b) In the course of our work, we have held discussions with the Management regarding the outlook of the lead, zinc and copper mining industry, historical information and current operating status of the Mine and other relevant information. We have received, reviewed and relied on the relevant documents and financial information provided by the Management as well as other publicly available information we considered relevant to the valuation.

(c) We have relied on the accuracy and completeness of the publicly available information and information provided to us by the Management. Our work does not involve an audit of the information used and the contents presented in this report.

(d) No party should rely on the contents of this report nor should any party regard this report as an expression of opinion or audit opinion. This report is not a recommendation and no party should rely on this report in their decision making.

(e) We have made every effort to ensure the accuracy of our report within the time constraint of the engagement. We accept no liability for errors or omission or conclusions on the report based on incomplete information or misleading data.

(f) We have relied on the assumptions mentioned in Section (7) and Section (8) in the estimation of the Market Value of Yuelong and deviations from the above assumptions may have a significant impact on the valuation result.

The Management has been shown key assumptions used and have confirmed to us that the facts stated are accurate.

We accept no responsibility for any events and circumstances that occurred after the date of this report, nor any information existing at the Valuation Date but only becomes known to us after the date of the Report.

We accept no responsibility to the impact that matters of the law, regulatory requirements and others may affect the results of the Report.

13. DISCLAIMERS AND INDEMNITIES

This report is prepared solely for the internal use of the Management. The Report is not a recommendation nor opinion and should not be relied on in parts or in whole or made reference to by any party. We do not accept responsibility or liability to any party for the contents in this Report.

We have not carried out any technical assessment related to the Mine. We have relied on the Technical Report prepared by SRK provided by the Management. We accept no responsibility for the contents of the Technical Report.

Yue Da agrees to indemnify and hold harmless GWFAS and GWFAS entities and personnel from all Claims and Liabilities and Expenses attributable to third parties, including regulatory in nature, relating to this Engagement Agreement.

Yue Da agrees that GWFAS Entities and their personnel will not be liable to Client for any claims, liabilities or expenses of whatever nature, whether in contract or in tort (including without limitation, negligence) or otherwise relating to this engagement. In no event shall GWFAS Entities or their personnel be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage or expense relating to this engagement.

14. APPENDIX I – STATEMENT OF INDEPENDENCE

The valuation personnel involved in the production of this report certify:

- We are not an associate nor an affiliate to Yue Da.
- We do not individually or collectively, directly or indirectly have an interest in the shareholding of Yue Da.
- We have made best efforts to obtain information from reliable sources.
- We have made best efforts to discuss with the Management and obtain Management representation and proof on the accuracy and completeness on the information provided.
- We have considered facts which have bearing on the valuation performed and no important facts has been intentionally disregarded.
- The analysis performed and conclusion are based on unbiased, independent analysis on a best estimate basis within limiting conditions and assumptions made.
- The valuation fee is a fixed fee and not contingent on the success or occurrence of any stipulated event.

The under mentioned persons provided professional assistance in the compilation of this report.

Name:	Kelvin Hung	Kelly Rui	Wee Kang Keng
Position:	Asst Manager	Director	CEO
Engagement:	Preparer	Lead	QAR

15. APPENDIX II – QUALIFICATIONS OF VALUATION SPECIALISTS

Engagement Lead Principal

Kelly Rui
Director

Kelly is a Director who specializes in valuation and transaction advisory. She was formerly an Associate Director in the Financial Advisory Services of Deloitte Touche & Tohmatsu China and has more than 10 years' experience.

Kelly has rich experience in performing valuation of business enterprises, resource assets, biological asset, intangible asset, illiquid assets and complex financial instruments. She is proficient in valuing business and asset in various industries, such as energy and resource, environmental protection, manufacturing, asset management, REIT, IT, retail, transportation, real estate, banking and media etc. She has also led the valuation of exotic securities and various types of financial instruments.

She graduated with Master of Science in Finance degree from Washington University in St. Louis and with Bachelor of Business Administration (First Honor) degree from Chinese University of Hong Kong on full scholarship. She is a CFA charter holder.

Engagement Quality Assurance Reviewer

Wee Kang Keng
Chief Executive Officer

Kang Keng is CEO of GW Financial Advisory Services Limited. He has nearly 30 years' experiences in the valuation, banking and finance industry and was previously a Partner in the Financial Advisory Services Deloitte Touche & Tohmatsu China and was the firm's Internal Fair Value Specialist for about 10 years. He is also a member of the Valuation Advisory Panel of the Hong Kong Institute of Certified Public Accountants since 2010.

Kang Keng specializes in Valuation, Transaction and Treasury and has experience in corporate advisory in professional service firms, and as a professional practitioner in bank treasuries, having held senior positions with major commercial and investment banks.

Kang Keng has extensive experience in valuations of business enterprises, resource assets, biological assets, illiquid assets, financial instruments, structured hybrid instruments and other exotic liabilities and investment asset type products for both financial reporting and transaction purposes.

Kang Keng also advises on transactions, distressed asset restructuring, IPO preparation treasury and funding management.

Kang Keng graduated with Bachelor of Engineering degree from National University of Singapore.

Kang Keng is a Full Member of the Treasury Markets Association.

16. APPENDIX III – DISCOUNTED CASH FLOW ANALYSIS

In CNY million unless otherwise stated			1/4/2019 - 31/12/2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Crude Ore Mined (thousand tonne)			50.7	125.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Crude Ore Grade (%)	Lead		1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
	Zinc		5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%
	Copper		0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Recovery Rate (%)	Lead		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	Zinc		81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
	Copper		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Product Sales Volumn (thousand tonne)	Lead		0.4	1.1	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	Zinc		2.2	5.4	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
	Copper		0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Unit Price (CNY thousand/tonne)	Lead		13.8	14.4	14.8	15.0	14.9	15.7	16.2	16.4	16.7	16.9	17.2
	Zinc		14.0	12.8	12.7	13.0	13.0	14.0	14.4	14.7	15.0	15.2	15.5
	Copper		38.5	42.3	43.6	45.8	45.7	47.3	48.4	49.2	49.8	50.5	51.1
Revenue	Lead		6.0	15.6	25.5	25.9	25.8	27.2	27.9	28.4	28.9	29.3	29.7
	Zinc		30.8	69.4	110.5	112.9	113.1	121.9	125.5	127.9	130.0	132.1	134.2
	Copper		1.8	4.8	7.8	8.2	8.2	8.5	8.7	8.9	9.0	9.1	9.2
Total Revenue			**38.5**	**89.8**	**143.9**	**147.1**	**147.1**	**157.6**	**162.1**	**165.2**	**167.9**	**170.5**	**173.0**
COGS:													
Operating Cost			10.6	32.2	57.2	59.7	59.8	64.5	66.6	68.7	69.4	72.3	72.5
Resource Tax			1.9	4.5	7.2	7.4	7.4	7.9	8.1	8.3	8.4	8.5	8.7
Total COGS			**12.5**	**36.7**	**64.4**	**67.1**	**67.2**	**72.4**	**74.7**	**77.0**	**77.7**	**80.8**	**81.1**
Gross Profit			**26.0**	**53.1**	**79.5**	**80.0**	**79.9**	**85.2**	**87.4**	**88.2**	**90.1**	**89.7**	**91.9**
Expenses:													
Selling Expenses			0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Administrative Expenses			7.0	10.3	10.3	10.6	10.6	10.9	10.9	11.2	11.2	11.6	11.6
Additional Taxes			0.2	0.3	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total Expenses			**7.4**	**10.8**	**11.0**	**11.4**	**11.4**	**11.7**	**11.8**	**12.1**	**12.1**	**12.5**	**12.5**
Depreciation and Amortization			6.1	11.0	11.9	12.7	13.5	11.0	8.1	7.4	6.1	5.1	4.8
EBIT			12.5	31.3	56.5	56.0	55.1	62.5	67.5	68.7	71.9	72.2	74.6
Tax rate			25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT*(1-tax rate)			9.4	23.5	42.4	42.0	41.3	46.9	50.7	51.5	53.9	54.1	56.0
+ Depreciation and Amortization			6.1	11.0	11.9	12.7	13.5	11.0	8.1	7.4	6.1	5.1	4.8
- CAPEX			7.0	7.0	7.0	7.0	3.4	3.4	3.4	3.4	3.4	3.4	3.4
- Change in NWC			(2.5)	7.2	10.8	0.8	0.0	1.0	0.1	0.9	0.1	0.9	0.1
FCFF			11.1	20.2	36.5	46.8	51.4	53.4	55.3	54.6	56.6	54.9	57.3
Discount Rate		15.85%											
Discount Period			0.4	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	10.3
Discount Factor			0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.3	0.3	0.3	0.2
PV of FFCF			10.5	16.8	26.2	29.0	27.5	24.7	22.0	18.8	16.8	14.1	12.7
Sum of PV of FCFF		**287.4**											
Adjustments	-	**56.5**											
Cash		12.2											
Debt		-											
Non-Operating Assets		21.5											
Non-Operating Liabilities	-	90.2											
Equity Value		**230.8**											

In CNY million unless otherwise stated			2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E
Crude Ore Mined (thousand tonne)			200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	195.0
Crude Ore Grade (%)	Lead		1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%	1.44%
	Zinc		5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%	5.36%
	Copper		0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Recovery Rate (%)	Lead		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	Zinc		81%	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
	Copper		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Product Sales Volumn (thousand tonne)	Lead		1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	Zinc		8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.5
	Copper		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Unit Price (CNY thousand/tonne)	Lead		17.4	17.7	17.9	18.1	18.4	18.6	18.9	19.2	19.4	19.7	20.0
	Zinc		15.7	15.9	16.2	16.4	16.6	16.9	17.2	17.4	17.7	18.0	18.3
	Copper		51.8	52.4	53.1	53.7	54.4	55.1	55.8	56.5	57.2	58.0	58.8
Revenue	Lead		30.1	30.5	30.9	31.3	31.8	32.2	32.7	33.1	33.6	34.1	33.7
	Zinc		136.2	138.2	140.3	142.3	144.5	146.7	149.0	151.2	153.4	155.9	154.6
	Copper		9.3	9.4	9.5	9.7	9.8	9.9	10.0	10.2	10.3	10.4	10.3
Total Revenue			**175.6**	**178.2**	**180.7**	**183.3**	**186.0**	**188.8**	**191.7**	**194.5**	**197.3**	**200.4**	**198.6**
COGS:													
Operating Cost			74.8	74.8	77.7	77.7	80.1	80.2	82.7	83.0	85.7	85.7	86.0
Resource Tax			8.8	8.9	9.0	9.2	9.3	9.4	9.6	9.7	9.9	10.0	9.9
Total COGS			**83.5**	**83.7**	**86.7**	**86.9**	**89.4**	**89.6**	**92.3**	**92.7**	**95.5**	**95.7**	**96.0**
Gross Profit			**92.1**	**94.5**	**94.0**	**96.4**	**96.6**	**99.2**	**99.4**	**101.8**	**101.8**	**104.7**	**102.6**
Expenses:													
Selling Expenses			0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Administrative Expenses			11.9	11.9	12.3	12.3	12.6	12.6	13.0	13.0	13.4	13.4	13.8
Additional Taxes			0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total Expenses			**12.9**	**12.9**	**13.2**	**13.3**	**13.6**	**13.7**	**14.0**	**14.1**	**14.5**	**14.5**	**14.9**
Depreciation and Amortization			4.7	4.7	4.1	4.1	4.0	4.0	3.9	3.6	3.4	3.4	3.4
EBIT			74.5	76.9	76.7	79.1	78.9	81.6	81.5	84.1	83.9	86.8	84.4
Tax rate			25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
EBIT*(1-tax rate)			55.9	57.7	57.5	59.3	59.2	61.2	61.1	63.1	62.9	65.1	63.3
+ Depreciation and Amortization			4.7	4.7	4.1	4.1	4.0	4.0	3.9	3.6	3.4	3.4	3.4
- CAPEX			3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
- Change in NWC			0.9	0.1	1.0	0.1	1.0	0.1	1.0	0.1	1.0	0.1	(38.0)
FCFF			56.2	58.9	57.2	59.9	58.8	61.7	60.5	63.2	61.9	65.1	101.2
Discount Rate		15.85%											
Discount Period			11.3	12.3	13.3	14.3	15.3	16.3	17.3	18.3	19.3	20.3	21.3
Discount Factor			0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
PV of FFCF			10.7	9.7	8.1	7.4	6.2	5.7	4.8	4.3	3.6	3.3	4.4

17. APPENDIX IV – WEIGHTED AVERAGE COST OF CAPITAL ANALYSIS

In millions

Selection criteria: Business match

Ref	Ticker	Listing Exchange	Currency	Guidline Company	Reporting Period	Total Book Value of Debt	Total Book Value of Preferred	Total Market Value of Equity	Total Market Value of Capital	Debt to Capital	Equity to Capital	Debt to Equity	Effective Tax Rate	Levered Equity Beta	Unlevered Equity Beta
1	8028 HK	Hong Kong	HKD	TIMELESS SOFTWARE LTD天時軟件	30/09/2018	0	-	158	158	0.25%	99.75%	0.25%	44.55%	0.90	0.90
2	000060 CH	Shenzhen	CNY	Shenzhen Zhongjin Lingnan -A中金岭南	31/12/2018	4,895	-	18,027	22,922	21.35%	78.65%	27.15%	26.84%	1.21	1.01
3	000426 CH	Shenzhen	CNY	INNER MONGOLIA XINGYE MINI-A兴业矿业	30/09/2018	2,245	-	11,697	13,942	16.10%	83.90%	19.19%	26.23%	1.05	0.92
4	000688 CH	Shenzhen	CNY	JIANXIN MINING CO LTD-A建新矿业	30/09/2018	-	-	13,818	13,818	0.00%	100.00%	0.00%	18.94%	0.88	0.88
5	002114 CH	Shenzhen	CNY	Yunnan Luoping Zinc -A罗平锌电	31/12/2018	258	-	2,649	2,906	8.86%	91.14%	9.72%	15.00%	1.33	1.23
6	600497 CH	Shanghai	CNY	Yunnan Chihong Zinc & Germ -A驰宏锌锗	31/12/2018	11,728	-	26,118	37,847	30.99%	69.01%	44.90%	39.30%	1.25	0.98
								Average		12.93%	87.07%				0.99

	WACC
Unlevered Equity Beta	0.99
Debt-to-Equity	14.85%
Tax Rate	25.00%
Relevered Equity Beta	**1.10**
Risk-Free Rate	3.70%
Equity Risk Premium	9.38%
Size Premium	3.67%
Company Specific Risk	0.00%
Cost of Equity	**17.65%**
Pre-Tax Cost of Debt	4.90%
Tax Rate	25.00%
After-Tax Cost of Debt	**3.68%**
Debt-to-Capital	12.93%
Equity-to-Capital	87.07%
Weighted Average Cost of Capital	15.85%

Source: Bloomberg

Assumption Reference:
Unlevered beta: Industry average
Debt-to-Equity ratio: Industry average
Tax: Statutory tax rate of China
Risk-free rate: 30 years China Government Bond Yield as at 31 March 2019
Equity risk premium: Bloomberg Equity Risk Premium of China as at 31 March 2019
Size premium: Ibbotson Associates 2017 Yearbook size premium CRSP Deciles 9-10
Pre-tax cost of debt: China Above 5 Years Best Lending Rate as at 31 March 2019

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

Directors, Supervisors and Chief Executive

(A) DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION OF THE COMPANY

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows.

Name of Director	**Capacity**	**Number of ordinary Shares** *(Note i)*	**Approximate percentage of issued share capital of the Company** *(Note ii)*
Mr. Hu Huaimin	Beneficial owner	1,130,666 (L)	0.10%

Notes:

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

(ii) The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at the Latest Practicable Date.

Other than as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at the Latest Practicable Date.

(B) CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at the Latest Practicable Date, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	**Capacity**	**Number of issued ordinary Share** *(Note i)*	**Approximate percentage of issued share capital of the Company** *(Note ii)*
Yue Da HK	Beneficial owner	208,979,333 (L)	17.88%
Yueda Capital (HK) Limited	Beneficial owner	600,000,000 (L)	51.34%
Yueda Capital Company Limited	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da	Interest of a controlled corporation	808,979,333 (L)	69.22%

Other than as disclosed above, the Company has not been notified of any other persons who as at the Latest Practicable Date, had interests of 5% or more in any shares or underlying shares of the Company.

(C) OTHER DIRECTORS' INTEREST

As at the Latest Practicable Date, the following Directors were also a director or an employee of the following companies, each of which had or was deemed to have an interest or short position in the shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of substantial shareholder of the Company	Position in substantial shareholder of the Company
Mr. Tang Rujun	Jiangsu Yue Da	Director
	Yueda Capital Company Limited	Secretary and Managing Director
	Yueda Capital (HK) Limited	Director
Mr. Li Biao	Yue Da HK	Director
Mr. Liu Debing	Yueda Capital (HK) Limited	Director

Interests in the Group's Assets or Contracts or Arrangements Significant to the Group

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any asset which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors or supervisors of the Company and any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete either directly or indirectly with the Group's businesses (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

5. MATERIAL CONTRACTS

(i) a settlement agreement dated 22 December 2017 entered into between YDM, Mineral Land and an Independent Third Party in relation to a sum of US$6 million then due and owing by Mineral Land to YDM (the ''Settlement Agreement'');

(ii) a sale and purchase agreement dated 30 December 2017 entered into between the Company and the purchaser, pursuant to which the purchaser acquires 100% of the issued share capital of Fly Ascent Group Limited at a consideration of RMB65.1 million, a company established in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;

(iii) a share purchase agreement dated 28 May 2018 entered into between the Company and Yue Da HK, pursuant to which the Company has conditionally agreed to sell and Yue Da HK conditionally agreed to purchase all the issued shares of Absolute Apex Limited at a consideration of RMB140 million;

(iv) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat C2 on 8th Floor of Pearl City Mansion, No. 22/36 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK$15,000;

(v) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat A on 14/F of Dragon Centre, 9-11 Pennington Street, Causeway Bay, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK$15,000;

(vi) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat C2 on 9th Floor of Paterson Building, Block C and D, No. 37 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK$20,000;

(vii) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da HK as landlord of Office nos. 3321, 3322, 3323 and 3325 on 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK$260,000;

(viii) a loan assignment agreement dated 11 December 2018 entered into between YDM, Daiichi and an Independent Third Party, pursuant to which YDM conditionally agreed to sell, and Daiichi conditionally agreed to purchase, all the legal and beneficial right, title and interest in any present or future liability (actual or contingent) payable or owing by Mineral Land to Yue Da Mining in connection with the Settlement Agreement;

(ix) a share purchase agreement dated 20 March 2019 entered into between the Company and Yue Da HK, pursuant to which the Company has conditionally agreed to sell and Yue Da HK conditionally agreed to purchase all the issued shares of YDM at a consideration of US$5.6 million.

(x) the Share Purchase Agreement.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGES

The Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up).

8. EXPERTS

(a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
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
GW Financial Advisory Services Limited	Independent Valuer

(b) Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with inclusion of their respective letter, opinion or advice (as the case may be) and references to its name in the form and context in which it appears.

(c) As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) As at the Latest Practicable Date, the above experts had no interest in any asset which have been since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. GENERAL

(a) The head office and principal place of business of the Company in Hong Kong is located at Office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

(d) The company secretary of the Company is Mr. Shum Chi Chung who is a fellow member of Hong Kong Institute of Certified Public Accountants.

10. MISCELLANEOUS

Saved as otherwise stipulated in this circular, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong from the date of this circular up to 14 days thereafter:

(a) The Share Purchase Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 39 of this circular;

(d) the written consent of the experts referred to in the paragraph headed "Experts" in this appendix; and

(e) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("Meeting") of Yue Da International 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 at 10:00 a.m. on Friday, 18 October 2019 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the share purchase agreement dated 23 July 2019 entered into between the Company and Yue Da Group (H.K.) Co., Limited (the "Share Purchase Agreement") in relation to the disposal of the entire equity interest in Yuelong Limited (the "Disposal") be and is hereby approved, confirmed and ratified;

(b) the Disposal be and is hereby approved, ratified and confirmed; and

(c) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Share Purchase Agreement and the Disposal."

On behalf of the Board
Yue Da International Holdings Limited
Hu Huaimin
Executive Director and Chief Executive

Hong Kong, 30 September 2019

Registered office:
Cricket Square
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Head office and principal place of business in Hong Kong:
Office nos. 3321-3325,
33/F, China Merchants Tower,
Shun Tak Centre,
No. 168-200 Connaught Road
Central,
Hong Kong

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).

5. 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 at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

7. As at the date of this notice, the executive Directors are Mr. Liu Debing, Mr. Hu Huaimin, Mr. Cai Baoxiang and Mr. Bai Zhaoxiang, the non-executive Directors are Mr. Tang Rujun and Mr. Li Biao, and the independent non-executive Directors are Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee.