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YUE DA INTERNATIONAL HOLDINGS LIMITED

悅達國際控股有限公司

(formerly known as Yue Da Mining Holdings Limited 悅達礦業控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE DISPOSAL COMPANY

Financial Adviser



Independent Financial Adviser



Crescendo Capital Limited

THE DISPOSAL

On 20 March 2019 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, being the entire equity interest of the Disposal Company, at an aggregate consideration of USD5.60 million (equivalent to approximately HK\$43.96 million).

Completion is subject to fulfilment and/or waiver (as the case may be) of the conditions under the Disposal Agreement. Upon Completion, the Company will cease to own any interests in the Disposal Group. The Disposal Company will cease to be a subsidiary of the Company and the Disposal Group's results, assets and liabilities will no longer be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser holds 208,979,333 Shares, representing approximately 17.9% of the total issued share capital of the Company, and Yueda Capital (HK) Limited holds 600,000,000 Shares, representing approximately 51.3% of the total issued share capital of the Company. Both the Purchaser and Yueda Capital (HK) Limited are ultimately wholly-owned by Jiangsu Yue Da Group Company Limited, which is controlled by the Yancheng Municipal People's Government of the PRC and is the Company's ultimate holding company.

Accordingly, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Disposal Agreement and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Disposal is required to abstain from voting on the relevant resolution at the EGM. Accordingly, the Purchaser and its associates will be required to abstain from voting on the resolution approving the Disposal.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders, among other things, whether the Disposal is fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Crescendo Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

The Circular containing, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of EGM, will be despatched to the Shareholders on or before 11 April 2019.

Shareholders and potential investors should note that the Completion is subject to fulfilment and/or waiver (as the case may be) of the conditions precedent under the Disposal Agreement. As the Disposal may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and if there is any doubt about their positions, they should consult their professional advisers.

THE DISPOSAL

On 20 March 2019 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being the entire equity interest of the Disposal Company, at an aggregate consideration of USD5.60 million (equivalent to approximately HK\$43.96 million).

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date: 20 March 2019 (after trading hours of the Stock Exchange)

Parties

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

Interest to be disposed of by the Group

Pursuant to the terms and conditions of the Disposal Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of the Disposal Company. As at the date of this announcement, the Disposal Company is a wholly-owned subsidiary of the Vendor.

Consideration

The Consideration is USD5.60 million (equivalent to approximately HK\$43.96 million). As at 28 February 2019, the shareholder's loan owing to the Purchaser by the Vendor amounted to HK\$166.1 million. The Consideration shall be paid by the Purchaser to the Vendor by way of offsetting such amount due to the Purchaser.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiation and was determined with reference to among others, the unaudited net asset value of the Disposal Group as at 28 February 2019 of approximately RMB37.24 million (equivalent to approximately HK\$43.68 million) (the "**NAV of the Disposal Group**"). The Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon the fulfilment of the following conditions:

- (i) the passing of the relevant ordinary resolution by the Independent Shareholders at the EGM to approve the entering into of the Disposal Agreement and the transactions contemplated thereunder;
- (ii) all the requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Disposal Agreement having been obtained by the Vendor and/or the Purchaser; and
- (iii) none of the warranties under the Disposal Agreement and other provisions of the Disposal Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the aforesaid warranties) is misleading or untrue in any material respect.

Save for condition (i), the Purchaser may waive any of the conditions precedent (in whole or in part) at any time by notice in writing to the Vendor. If the conditions precedents are not fulfilled or waived on or before the Long Stop Date, the Disposal Agreement shall be of no effect.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to own any interests in the Disposal Group. The Disposal Company will cease to be a subsidiary of the Company and the Disposal Group's results, assets and liabilities will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

As at the date of this announcement, the Disposal Company holds the entire issued share capital of each of Joy East Group Limited* (悅東集團有限公司), Moral Well Enterprises Limited* (德佳企業有限公司) and Yue Da Prosper Limited* (悅達川旺有限公司), each of which is inactive and a company incorporated in the British Virgin Islands with limited liabilities.

* For identification purpose only.

Set out below is the summary of the unaudited financial information of the Disposal Group for the two financial years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December	
	2017	2018
	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit/(loss) before taxation	(78.0)	2.8
Net profit/(loss) after taxation	(42.8)	2.8

The Disposal Group held the major part of the Group's mining operation before the year ended 31 December 2017. During the year ended 31 December 2017, the Group undertook (i) business transformation by disposing three (3) mining subsidiaries held by the Disposal Company; and (ii) group restructuring by transferring the remaining mining subsidiaries of the Group from the Disposal Company to the Company at the end of 2017. The net loss after taxation of the Disposal Group was approximately RMB42.8 million (equivalent to approximately HK\$50.2 million) for the year ended 31 December 2017.

During the year ended 31 December 2018, the Disposal Group became an investment holding company with no business activities and did not record any revenue from operation. The net profit after taxation of the Disposal Group was approximately RMB2.8 million (equivalent to approximately HK\$3.3 million) for the year ended 31 December 2018, which was derived from non-operating activities.

According to its unaudited financial information, the NAV of the Disposal Group as at 28 February 2019 amounted to approximately RMB37.24 million (equivalent to approximately HK\$43.68), majority of which consists of the book value of the Deposit as at 28 February 2019 (as defined under the section headed "Reasons for and benefits of the Disposal" below).

INFORMATION ON THE VENDOR, THE PURCHASER AND THE GROUP

The Company, being the Vendor, is an investment holding company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the exploration, mining, processing and sale of zinc, lead, iron, copper and gold ores in the PRC. It also provides factoring, accounts receivable management and collection and factoring consultancy services.

As disclosed in the interim report of the Company for the six months ended 30 June 2018, as the management of the Group considers the operating environment for the mining business is uncertain, the Group has shifted its business focus from mining operations to factoring business. It was also disclosed that the Directors endeavor to seek business opportunities in the financial industry to diversify the Group's existing business stream to enhance long-term benefits of the Company and the Shareholders as a whole.

The Purchaser is a company incorporated in Hong Kong with limited liabilities. As at the date of this announcement, the Purchaser holds 208,979,333 Shares, representing approximately 17.9% of the total issued share capital of the Company, and Yueda Capital (HK) Limited holds 600,000,000 Shares, representing approximately 51.3% of the total issued share capital of the Company. Both the Purchaser and Yueda Capital (HK) Limited are ultimately wholly-owned by Jiangsu Yue Da Group Company Limited, which is controlled by the Yancheng Municipal People's Government of the PRC and is the Company's ultimate holding company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the announcement of the Company dated 5 September 2013 in relation to the signing of an acquisition agreement (the "**Acquisition Agreement**") between the Disposal Company, as the purchaser, and a Vietnamese individual (the "**Vietnamese Individual**") as the vendor, pursuant to which the Disposal Company agreed to acquire, and the Vietnamese Individual agreed to sell, the entire issued share capital of two companies (the "**Two Companies**") which are incorporated in the British Virgin Islands (the "**Acquisition**") for a consideration of US\$34.0 million (equivalent to approximately HK\$266.9 million), of which US\$7.0 million (equivalent to approximately HK\$55.0 million) was paid by the Disposal Company to the Vietnamese Individual as the deposit ("**Deposit**") as disclosed in the announcement of the Company dated 17 November 2014.

Pursuant to the Acquisition Agreement, the Deposit is secured by the charges over the entire issued share capital in the Two Companies and the mortgage over the shares of a Vietnamese company in favour of the Disposal Company. As certain conditions precedent to the Acquisition Agreement had not been fulfilled on 15 November 2014, the Acquisition was terminated on the same date. Pursuant to the Acquisition Agreement, if the Acquisition Agreement is terminated, the Vendor shall repay, within one (1) month after the long stop date, being 30 June 2014, which was extended to 15 November 2014 later, to the Purchaser an amount equivalent to the Deposit without interest. If the Vendor fails to repay the entirety of the said amount to the Purchaser before the prescribed date, interest shall accrue from the due date of payment until the date of full repayment at the rate equivalent to the higher of (i) 8% per annum; or (ii) the current USD best lending rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited for the same USD amount.

The Deposit has remained outstanding despite the Group's repeated demands for repayment and the entering into of a settlement agreement dated 20 March 2017 entered into between, among others, the Vietnamese Individual and the Disposal Company (the "**Settlement Agreement**"). As disclosed in the announcement of the Company dated 31 October 2018, approximately US\$5.96 million (equivalent to approximately HK\$46.79 million) of the total amount of the Deposit was still owed by the Vietnamese Individual to the Disposal Company.

Due to (i) the prolonged discussion in arriving at a repayment schedule of the Deposit; (ii) the uncertainty in the recoverability of the remaining of the Deposit; and (iii) the Consideration being higher than the unaudited net asset value of the Disposal Group as at 28 February 2019, the Directors (equivalent to approximately HK\$43.68 million) (the "**NAV of the Disposal Group**"). The Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular) are of the view the Disposal is a reasonable decision made under the current circumstances.

Taking into consideration of the reasons for and benefit of the Disposal, the Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular) are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular) are also of the view that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Company will record a gain before income tax of approximately HK\$280,000 as a result of the Disposal, which represents the difference between the Consideration for the Sale Shares and the unaudited NAV of the Disposal Group as at 28 February 2019. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

Upon Completion, the Company will cease to own any interests in the Disposal Group. The Disposal Company will cease to be a subsidiary of the Company and the Disposal Group's results, assets and liabilities will no longer be consolidated into the financial statements of the Company.

USE OF PROCEEDS

The proceeds from the Disposal will be used to net-off against the shareholder's loan owing to the Purchaser by the Company, the principle amount of which stands at approximately HK\$166.1 million as at 28 February 2019.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser holds 208,979,333 Shares, representing approximately 17.9% of the total issued share capital of the Company, and Yueda Capital (HK) Limited holds 600,000,000 Shares, representing approximately 51.3% of the total issued share capital of the Company. Both the Purchaser and Yueda Capital (HK) Limited are ultimately wholly-owned by Jiangsu Yue Da Group Company Limited, which is controlled by the Yancheng Municipal People's Government of the PRC and is the Company's ultimate holding company.

Accordingly, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Disposal Agreement and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Disposal is required to abstain from voting on the relevant resolution at the EGM. Accordingly, the Purchaser and its associates will be required to abstain from voting on the resolution approving the Disposal.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders, among other things, whether the Disposal is fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Crescendo Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

The Circular containing, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of EGM, will be despatched to the Shareholders on or before 11 April 2019.

Shareholders and potential investors should note that the Completion is subject to fulfilment and/or waiver (as the case may be) of the conditions precedent under the Disposal Agreement. As the Disposal may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and if there is any doubt about their positions, they should consult their professional advisers.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holidays or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Circular”	the circular to be despatched to the Shareholders in relation to, among others, the Disposal on or before 11 April 2019

“Company” or “Vendor”	Yue Da International Holdings Limited, an investment holding company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	within one Business Day after the date on which all the conditions precedent set out in the Disposal Agreement are satisfied or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Disposal which is USD5.60 million (equivalent to approximately HK\$43.96 million)
“Director(s)”	the director(s) of the Company
“Disposal”	the potential disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 20 March 2019 in relation to the Disposal
“Disposal Company”	Yue Da Mining Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	An independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Disposal

“Independent Financial Adviser” or “Crescendo Capital”	Crescendo Capital Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than the Purchaser and its associates and any Shareholder with a material interest in the Disposal
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 September 2019 or such other date as the parties to the Disposal Agreement may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Yue Da Group (H.K.) Co., Limited, a company incorporated in Hong Kong and is wholly owned by Jiangsu Yue Da Group Company Limited
“Sale Share(s)”	100 share(s) of par value of USD1 each in the share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company, which are beneficially owned by the Vendor immediately prior to Completion
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“USD” United States dollars, the lawful currency of the United States of America

“%” per cent.

Unless the context requires otherwise, amounts denominated in (i) RMB have been converted into HK\$ at an exchange rate of RMB1: HK\$1.173; and (ii) USD have been converted into HK\$ at an exchange rate of USD1: HK\$7.85 are for illustration purposes only. No representation is made that any amount in USD, HK\$ and/or RMB could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.

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

Hong Kong, 20 March 2019

As at the date of this announcement, the Board comprises the following members: (a) as non-executive Directors, Mr. Wang Lian Chun and Mr. Qi Guangya; (b) as executive Directors, Mr. Wen Songmao, Mr. Mao Naihe, Mr. Hu Huaimin and Mr. Cai Baoxiang; and (c) as independent non-executive Directors, Mr. Cui Shu Ming, Dr. Liu Yongping and Mr. Cheung Ting Kee.

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