

Jade Road Investments seeks sale advisor for divestment of Future Metal Holdings

12:33 BST, 28 September 2021

Jade Road Investments [LON:JADE] is looking for a financial advisor to run the process to divest its 85% stake in Future Metal Holdings Limited (FMHL), said Suresh Withana, managing partner for Jade Road's investment manager Harmony Capital. FMHL is the largest magnesium dolomite quarry in Shanxi Province in China, according to Jade Road.

The investment company is speaking to financial advisors in China, looking to award the mandate in the next two to three months, Withana told *Mergermarket*. It is interested in approaches from advisory firms, he added.

Meanwhile, Jade Road is speaking to potential strategic buyers, and getting the data room ready, he said.

Jade Road is looking to partially or fully exit its stake in FMHL, as stated in its September interim report. FMHL is a legacy asset that does not fit into the firm's new investment strategy, i.e. investing in high-growth Asian pre-IPOs and IPOs with shorter investment horizons of six months to two years, according to a company spokesperson.

Jade Road is not under pressure to sell the asset, Withana stressed, but wishes to redeploy capital into other investments. There is no deadline for selling FMHL, but the firm hopes to finalize a process in three to nine months, he said.

The estimated fair value of Jade Road's investment in FMHL amounts to USD 50.7m as of 30 June 2021, according to Jade Road's interim report. Ultimately, Jade Road will decide if any offer is acceptable, Withana commented.

Withana sees domestic strategic buyers as the most logical, he said. A buyer could be an operator of other quarries in the region, looking to increase their footprint, he said. It could also be an owner of smelters, looking for backward integration, he said. Offshore buyers, for example from Hong Kong, or financial buyers such as private equity funds and family offices, are not ruled out, he added.

Jade Road will consider a partial exit – many investors in China are minority investors, Withana said.

FMHL's other shareholders are nominees of historical owners, and are not interested buyers for the majority stake, according to Withana.

Future Metal Holdings Limited owns a fully operational open pit dolomite quarry near Linfen City, Shanxi Province, China. The quarry’s products are used as construction materials in Chinese infrastructure development projects, according to the company spokesperson.



Demand for Future Metal's products, i.e. dolomite for magnesium smelting and wall rock for construction materials, has risen noticeably in recent years due to China’s urbanisation and improvements to infrastructure, the spokesperson said.

The current production capacity of the quarry is 300,000 tonnes per annum, but with further investment and a revision to the mining licence, the production capacity could potentially be expanded to 3 million tonnes (Mt) per annum.

The mine has JORC code compliant measured, indicated and inferred mineral resources of 35.95 Mt with an average grade of 20.74% dolomite oxide (MgO); 81.40 Mt with an average grade of 20.48% MgO (indicated); and 31.81 Mt with an average grade of 20.61% MgO (inferred), according to a company document. The life of the mining asset is more than 100 years at current production levels.

London-listed Jade Road is an investment company in the SME sector across Asia. It has a market cap of GBP 23m (USD 31m).

by [Christel Thunell](#) in Sydney

<p>TARGET</p> <p>Future Metal Holdings Limited </p> <hr/> <p>VENDORS</p> <p>Jade Road Investments Limited </p>	<hr/> <p>Topics</p> <ul style="list-style-type: none"> Advisory Invitation (Bankers, Other) Asset Sales (Corporate Disposals) Auction/Privatization Companies for sale Cross Border Private equity related <hr/> <p>Geography</p> <ul style="list-style-type: none"> China Hong Kong (China) United Kingdom <hr/> <p>Sectors</p> <ul style="list-style-type: none"> Construction Mining <hr/> <p>Sub-Sectors</p> <ul style="list-style-type: none"> Heavy construction Metal ore Non-metallic ores
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Intelligence ID:
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Grade
Confirmed

Charge Code
Not set

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