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Future Bright Mining Holdings Limited

高鵬礦業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2212)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF 100% OF THE EQUITY INTEREST IN IMPERIAL DRAGON FINANCE LIMITED

Reference is made to the announcement of the Company dated 26 July 2017 (the “**Announcement**”) in respect of the acquisition of 100% equity interest in Imperial Dragon Finance Limited (the “**Acquisition**”). Unless otherwise defined hereunder, the capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide potential investors and Shareholders with the following further information in relation to the Acquisition.

Warranty and undertaking

In addition to the information disclosed in the paragraph headed “Warranties and Undertakings” in the Announcement, the Board would like to supplement that the Vendor had also represented and warranted to the Purchaser that the Target Company has in its business portfolio five loan facilities with each in the principal amount of HK\$3.5 million with an annual interest rate of 24% as at the date of the Share Purchase Agreement (the “**Warranty**”). In the event that the Warranty is not fulfilled, this would constitute a breach of the Share Purchase Agreement on the part of the Vendor and the Purchaser shall be entitled to make a claim against the Vendor for breach of contract in accordance with applicable laws. No warranty fee was payable by the Purchaser to the Vendor under the Share Purchase Agreement in respect of the Warranty. The Vendor had further represented and warranted to the Purchaser that the Target Company will execute the drawdowns of at least two loans each in the amount of HK\$3.5 million, with its clients within one year from the date of the Share Purchase Agreement (the “**Undertaking**”).

As at the date of this announcement, the Target Company has entered into memoranda of understanding for seven loan facilities with each in the principal amount of HK\$3.5 million with an annual interest rate of 24%, of which two loans with a term of six months each had been granted (details of which are set out in the announcement of the Company dated 18 August 2017). As such, the terms of the Warranty had been fulfilled accordingly.

It was the intention of the Vendor and the Purchaser that the Undertaking shall be fulfilled only when two loan facilities each with a principal amount of HK\$3.5 million and an annual interest rate of 24% for a term of one year had been drawn down. Since each of the aforesaid two loans was for a term of six months only, the interests part of the Undertaking had not been fully fulfilled as at the date of this announcement.

As at the date of this announcement, the expected aggregate interest income to be generated from the aforesaid two loan facilities amounted to HK\$840,000.

As disclosed in the Announcement, the Target Company had suffered losses for each of the years ended 31 March 2016 and 31 March 2017. To the best of the knowledge of the Directors after making reasonable enquiries and pursuant to the information given by the Vendor, such losses were mainly attributable to the following factors:

- (1) after the acquisition of the Target Company by the Vendor in or around February 2015, the Vendor had not actively pursued the money lending business for the Target Company during the year ended 31 March 2016. No loan facility was executed and drawn down for the year ended 31 March 2016; and
- (2) the Target Company started actively engaging in money lending businesses commencing from the second half of 2016. During the year ended 31 March 2017, the Target Company had entered into memoranda of understanding for four loan facilities and one mortgage loan facility was executed and drawn down.

Despite the losses suffered by the Target Company, the Board considered that the Acquisition is in the interest of the Company and its shareholders as a whole after taking into account the following factors:

- (1) as at the date of the Share Purchase Agreement, to the best of the knowledge of the Directors after making reasonable enquiries and pursuant to the representation given by the Vendor, the Target Company did not have any outstanding debt. Nevertheless, pursuant to the Share Purchase Agreement, the Vendor had also warranted to the Purchaser that the Vendor would compensate the Target Company for all business debts incurred by the Target Company in its lawful business activities during the course of its business. Further, the sole shareholder of the Vendor had undertaken to personally compensate the Purchaser for any outstanding debts of the Target Company which were reasonably incurred before the completion of the Acquisition. The Board therefore considered that the losses suffered by the Target Company are historical in nature and would not create additional liabilities to the Company; and

- (2) given the losses suffered by the Target Company were historical in nature, in considering the Acquisition, the Board solely focused on the current conditions of the Target Company as at the date of the Share Purchase Agreement and the benefits that the Company could obtain in the future, which include the net asset value of the Target Company, the expected number of loan facilities that the Target Company could obtain, the personal undertaking given by the Vendor's sole shareholder and sole director for the compensation of the interest income of two loan facilities and the synergy effect which the Acquisition could bring to the Company in the future, details of which are set out in the paragraphs headed "basis for the determination of the consideration" and "long term benefits for the Acquisition" below. Taking into account the above factors, the Board considered that the Acquisition could generate reasonable interest income and increase the overall marble blocks purchasing capability of the clients of the Company and the sales revenue of the Company in the long run.

Basis for the determination of the consideration

The Board would like to supplement that the consideration for the Acquisition was determined after taking into account the following factors:

- (a) the net asset value of the Target Company

As at 30 June 2017, the net asset value of the Target Company (based on its management account) was approximately HK\$1.74 million.

- (b) the interest income to be generated from the loan facilities of the Target Company

Pursuant to the Share Purchase Agreement, the Vendor had warranted that the Target Company has five loan facilities in its business portfolio, each having a principal amount of HK\$ 3.5 million with an annual interest rate of 24%. Further, the Vendor's sole shareholder and sole director had provided a personal undertaking to compensate to the Purchaser the interest income to be generated from the drawdowns from two of the said loans in the event that the Target Company is unable to execute the drawdowns of the said two loans within one year after completion of the Acquisition. Therefore, despite the uncertainties in the timing of the drawdown of the aforesaid five loans warranted by the Vendor, the Directors consider that the personal undertaking given by the Vendor's sole shareholder and sole director for the compensation of the interest income from the said two loans can provide assurance on the generation of reasonable interest income to the Target Company.

- (c) the saving of the Company's additional resources, time and expenses which would need to be incurred in setting up a new money lending business on its own

The Target Company currently is a holder of a valid money lenders licence under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong). The Target Company has been engaging in money lending business with an office premises with decoration and a fully functional management team for the daily operation of the money lending business.

As at the date of the Share Purchase Agreement, the Target Company had the following management team who were responsible for handling various stages of a money lending transaction:

- (i) loan application officer who is responsible for reviewing the background and supporting documents of the potential borrower;
- (ii) credit control officer who is responsible for conducting further review of the loan application and granting preliminary approval for the loan (subject to the final approval of the director);
- (iii) loan repayment officer who is responsible for monitoring the repayments of the loan according to the repayment schedule; and
- (iv) compliance officer who is responsible for monitoring any suspicious source of funding for repayment of loan and deciding if the incident is required to be reported to the Joint Financial Intelligence Unit.

Through the Acquisition, the Company is able to tap into the knowledge and experience of the above existing management team of the Target Company and equip its own personnel with the necessary knowledge and skill sets for the operation of the money lending business, therefore facilitating the smooth operation by the Company of the money lending business in the long run.

Further, as disclosed in the Announcement, the Vendor undertook to exercise its best endeavours to assist the Purchaser to apply to the Licensing Office (Money Lenders Licensing Section) of the Hong Kong Police Force for approval of the requisite change of shareholding in the Target Company pursuant to the Share Purchase Agreement, failing which the Vendor shall provide a full refund to the Purchaser of the total consideration paid, without interest.

As such, through the Acquisition, the Company can save the additional resources, time and costs which would need to be incurred in setting up a new money lending business on its own, which would include the costs for the setting up and decoration of the office premises, the hiring of management team, the licence application fee, the legal and consultation costs for the setup of a new money lender licence and the application of a new money lenders licence, the foregone interest income which can be generated during the period of the application for money lenders licence. The Company estimated that the total costs for the above items will amount to at least HK\$2,900,000.

In view of the above, the Company considers that the consideration for the Acquisition is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Financial resources for the drawdowns of the loans

The Board would like to supplement that the drawdowns of the loan facilities of the Target Company will be funded by the internal resources of the Company. The Target Company will execute drawdowns of the loans only after the Company has idle cash remaining after the collection of the accounts receivable from its client and the deduction of the expenses which are necessary for the working capital needs of the daily operation of the Company.

Update on the status of the transfer of money lender licence

As disclosed in the Announcement, the Vendor undertook to exercise its best endeavours to assist the Purchaser to apply to the Licensing Office (Money Lenders Licensing Section) of the Hong Kong Police Force for approval of the requisite change of shareholding in the Target Company. The Board is pleased to announce that the notification to the Licensing Office (Money Lenders Licensing Section) of the Hong Kong Police Force for change of shareholding in the Target Company was completed on 17 August 2017.

Long term benefits for the Acquisition

In addition to the reasons for the Acquisition as disclosed in the Announcement, the Board would like to supplement that the principal business of the Company is the excavation and sale of marble blocks and the Acquisition would also bring synergy effect to the Company. The major types of clients of the Company include:

- (i) marble distributors with self-processing plants, which arrange further processing and refinement of the marble blocks before delivering to the end customers (the “**Self-processing Plants Clients**”), the purchasing capacity of which will be limited by their respective internal processing limit of the marble blocks; and
- (ii) wholesalers and distributors of marble blocks which will further resell to other companies in the PRC or export to foreign countries (the “**Wholesalers and Distributors Clients**”), the purchasing capacity of which will be restrained by the period of bill settlement from their respective end customers.

It is expected that through the Acquisition, the Target Company will be able to provide loans to the Self-processing Plants Clients with a view to support their upgrade and expansion of processing facilities and also provide short-term loans to Wholesalers and Distributors Clients with reputable client bases to shorten their cash flow cycle, thereby increasing the overall marble blocks purchasing capability of the clients of the Company and the sales revenue of the Company in the long run.

By Order of the Board
Future Bright Mining Holdings Limited
Liu Jie
Chairperson

Hong Kong, 17 October 2017

As at the date of this announcement, the executives Directors are Ms. Liu Jie, Mr. Rao Dacheng, Mr. Wan Tat Wai David, Mr. Zheng Fengwei, Mr. Zhang Decong and Mr. Yuan Shan (alternate director to Mr. Zhang Decong); and the independent non-executive Directors are Mr. Chow Hiu Tung, Mr. Lau Tai Chim and Mr. Lai Kwok Leung.