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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 ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the annual report of Future Bright Mining Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for its financial year ended 31 December 2017 (the “**Annual Report**”) posted on the respective websites of the Stock Exchange and the Company on 25 April 2018. Unless otherwise stated, capitalized terms used herein shall bear the same meanings as defined in the Annual Report.

The Board would like to supplement the following additional information to the Annual Report:

1. USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

(i) First Placing

As disclosed on page 13 of the Annual Report, the Company completed a placing of new shares on 16 February 2017, on which a total of 170,000,000 new shares of the Company had been issued (the “**First Placing**”).

The net proceeds from the First Placing, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$34 million (equivalent to approximately RMB30 million). Up to 30 June 2018, the Group had used the net proceeds as follows:

	Original allocation of net proceeds			Utilization up to 30 June 2018		Remaining balance of unused net proceeds as at 30 June 2018	
	RMB		% of net proceeds	RMB		RMB	
	HK\$ (million)	Equivalent (million)		HK\$ (million)	Equivalent (million)	HK\$ (million)	Equivalent (million)
Building a processing plant to produce slabs	24	21	70.59%	1	0.88	23	20.12
General working capital of the Group	10	9	29.41%	10	9	—	—
Total	34	30	100%	11	9.88	23	20.12

The following table sets out the breakdown of the use of proceeds as general working capital of the Group:

	HK\$ (unaudited)	RMB Equivalent (unaudited)
Administrative expenses	23,000	20,000
Consultation and service	2,621,000	2,330,000
Rental costs	1,292,000	1,148,000
Staff cost	5,064,000	4,501,000
Donation	1,000,000	889,000
Total	10,000,000	8,888,000

In relation to the plan for the construction of a processing plant, the Group plans to construct such processing plant in the stone industry park (石材產業園) invested by the Nanzhang People's Government (南漳縣政府人民政府) of the PRC. As at the date of this announcement, the Group is arranging for the relevant procedures with the government authority for the construction plan, and the land parcel on which the processing plant is to be built is undergoing infrastructure constructions (including ground leveling and access to water, electricity, telecommunication, road and sewage) (五通一平). It is expected that the subject land parcel will be available in or after December 2018. Accordingly, the Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of the processing plant when the subject land is available in or after December 2018.

In view of the aforesaid development, up to 30 June 2018, the utilized net proceeds were approximately HK\$11 million and the remaining proceeds as at 30 June 2018 were approximately HK\$23 million.

As disclosed above, the land for the construction of the processing plant (the “**Subject Land Parcel**”) is expected to be available in or around December 2018. In view of the postponement of the timetable for the development of the processing plant, the Group had temporarily re-allocated the remaining proceeds of approximately HK\$23 million to the following purposes: (1) approximately HK\$15 million were used for investment in equity securities of companies listed on the Stock Exchange; and (2) approximately HK\$8 million were used in the business of trading of mineral commodities of the Group. It is expected that the Group will obtain the aforesaid HK\$23 million in or around December 2018 when the Subject Land Parcel will be available through the realization of the equity securities and the settlement of payment by the customers from the business of trading of mineral commodities. The Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of a processing plant as originally planned.

(ii) Second Placing

As disclosed on page 13 of the Annual Report, the Company completed a placing of new shares on 18 August 2017, on which a total of 180,000,000 new shares of the Company had been issued (the “**Second Placing**”).

The net proceeds from the Second Placing, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$36.6 million. The net proceeds have been applied in accordance with the proposed applications set out in the announcements of the Company dated 4 August 2017 and 18 August 2017.

Up to 30 June 2018, the Group had used the net proceeds as follows:

	Original allocation of net proceeds			Utilization up to 30 June 2018		Remaining balance of unused net proceeds as at 30 June 2018	
	RMB			RMB		RMB	
	HK\$ (million)	Equivalent (million)	% of net proceeds	HK\$ (million) (unaudited)	Equivalent (million) (unaudited)	HK\$ (million) (unaudited)	Equivalent (million) (unaudited)
Formation of the two joint venture companies	12	10.6	32.79%	10.2	9.0	1.8	1.6
General working capital of the Group	24.6	21.8	67.21%	24.6	21.8	—	—
Total	36.6	32.4	100%	34.8	30.8	1.8	1.6

The following table sets out the breakdown of the use of proceeds as general working capital of the Group:

	HK\$ (unaudited)	RMB Equivalent (unaudited)
Administrative expenses	3,753,000	3,336,000
Consultation and service	4,785,000	4,253,000
Rental costs	1,721,000	1,530,000
Mining cleaning fee	1,643,000	1,460,000
Staff cost	9,758,000	8,674,000
Donation	2,940,000	2,613,000
Total	24,600,000	21,866,000

Up to 30 June 2018, the Group had used approximately HK\$10.2 million for the formation of the two joint venture companies, details of which are set out in the announcement of the Company dated 31 August 2017. The Group will re-allocate the remaining proceeds of HK\$1.8 million to working capital and other general corporate purposes including expenses for the Group's day-to-day operation.

2. SIGNIFICANT INVESTMENT

As disclosed on page 80 of the Annual Report, the Group had equity investments at fair value through profit or loss amounting to approximately RMB11.5 million as at 31 December 2017.

For the year ended 31 December 2017, the Group had significant investments in equity securities of companies listed on the Stock Exchange which were classified as held for trading, and the performance of such equity securities are as follows:

Stock code	Name of investee company	Number of shares held	Percentage of share capital owned by the Group	Investment cost (HK\$)	Market value as at 31 December 2017 (HK\$)	Unrealized gain/ (loss) on change in fair value for the year ended 31 December 2017 (HK\$) (Note 1)
1227	National Investments Fund Limited (Note 2)	21,000,000	0.87%	2,381,583.14	1,008,000	(1,373,583.14)
	Rights in nil-paid form (Note 3)	10,500,000	0.44%	105,000	105,000	105,000
1323	Newtree Group Holdings Ltd (Note 4)	6,700,000	0.28%	2,992,284.09	3,082,000	89,715.91
8085	Hong Kong Life Sciences and Technologies Group Ltd. (Note 5)	4,660,000	0.08%	494,643.95	466,000	(28,643.95)
8102	Li Bao Ge Group Limited (Note 6)	90,000	0.01%	578,083.39	37,800	(540,283.39)
8133	Jete Power Holdings Limited (Note 7)	6,700,000	0.19%	2,656,072.90	1,708,500	(947,572.90)
8283	Zheng Li Holdings Limited (Note 8)	230,000	0.05%	2,486,561.88	179,400	(2,307,161.88)
8425	Hing Ming Holdings Limited (Note 9)	3,100,000	0.78%	2,551,194.41	4,185,000	1,633,805.59
8430	C&N HOLDINGS LIMITED (Note 10)	2,090,000	0.33%	782,606.69	689,700	(92,906.69)
8460	Basetrophy Group Holdings Limited (Note 11)	8,280,000	0.83%	1,772,123.54	1,821,600	49,476.46
8462	OMNIBRIDGE HOLDINGS LIMITED (Note 12)	480,000	0.08%	511,143.84	460,800	(50,343.84)
				Total:	17,311,297.83	(3,462,497.83)

Notes:

- These figures do not take into account the realized gain or loss arising from the disposal of the relevant equity securities during the year ended 31 December 2017.
- According to the latest annual report of National Investments Fund Limited, it recorded revenue of approximately HK\$2,915,000 and a net loss of approximately HK\$123,593,000 for the year ended 31 December 2017.
- It represented the 10,500,000 nil-paid rights shares in relation to the rights issue on the basis of one rights share for every two shares in issue conducted by National Investments Fund Limited in December 2017.

4. According to the latest annual report of Newtree Group Holdings Ltd, it recorded revenue of approximately HK\$115,725,000 and a net profit of approximately HK\$14,265,000 for the year ended 31 March 2018.
5. According to the latest annual report of Hong Kong Life Sciences and Technologies Group Ltd., it recorded revenue of approximately HK\$140,208,000 and a net loss of approximately HK\$83,027,000 for the year ended 31 March 2018.
6. According to the latest annual report of Li Bao Ge Group Limited, it recorded revenue of approximately HK\$307,001,000 and a net profit of approximately HK\$23,188,000 for the year ended 31 December 2017.
7. According to the latest annual report of Jete Power Holdings Limited, it recorded revenue of approximately HK\$47,643,000 and a net loss of approximately HK\$4,935,000 for the year ended 31 December 2017.
8. According to the latest annual report of Zheng Li Holdings Limited, it recorded revenue of approximately \$13,964,000 (Singaporean dollar) and a net loss of approximately \$2,041,000 (Singaporean dollar) for the year ended 31 December 2017.
9. According to the latest annual report of Hing Ming Holdings Limited, it recorded revenue of approximately HK\$53,034,000 and a net profit of approximately HK\$15,374,000 for the year ended 31 March 2018.
10. According to the latest annual report of C&N HOLDINGS LIMITED, it recorded revenue of approximately \$30,822,059 (Singaporean dollar) and a net loss of approximately \$406,386,000 (Singaporean dollar) for the year ended 31 December 2017.
11. According to the latest annual report of Basetrophy Group Holdings Limited, it recorded revenue of approximately HK\$138,276,000 and a net loss of approximately HK\$5,996,000 for the year ended 31 December 2017.
12. According to the latest annual report of OMNIBRIDGE HOLDINGS LIMITED, it recorded revenue of approximately \$39,978,000 (Singaporean dollar) and a net loss of approximately \$1,286,000 (Singaporean dollar) for the year ended 31 December 2017.

Brief description of principal business and future prospect of investee companies

Name of investee company	Principal business and future prospect
National Investments Fund Limited	<p>Investment in listed and unlisted companies. The businesses invested by the company mainly include the development of bio-pharmaceutical and regenerative medicine systems and products, the provision of corporate finance services, including the fund raising, mergers and acquisitions, corporate finance advisory, corporate rescue and security brokerage services, the development and farming of forests and the development and manufacturing of yachts.</p> <p>As disclosed in the annual report for the year ended 31 December 2017, National Investments Fund Limited will continue to implement a diversified investment strategies and to identify suitable investment opportunities with potential assets appreciation that will furtherance the Company's investment objectives and policies and also to generate better returns for the group and its shareholders.</p>
Newtree Group Holdings Ltd	<p>Wholesale and retail of household consumables, educational technology solutions through online education programs and provision of English language proficiency tests, provision of money lending services, design and development of three-dimensional animations, augmented reality technology application and e-learning Web application and trading of coal products.</p> <p>As disclosed in the annual report for the year ended 31 March 2018, Newtree Group Holdings Ltd had, during the year ended 31 March 2018, disposed of its underperformed businesses with an aim of improving the overall profitability and performance of the group. It is believed that the re-allocation of the group's resources towards profit-making activities will bring benefits to the group financially and contribute to its sustainability.</p>

Name of investee company	Principal business and future prospect
Hong Kong Life Sciences and Technologies Group Ltd.	<p data-bbox="671 200 1449 404">Provision of anti-aging services, health check and beauty services and the distribution of biomedical and life science products, trading of electronic components and metals, provision loan financing services and trading and investment of securities.</p> <p data-bbox="671 446 1449 906">As disclosed in the quarterly report for the three months ended 30 June 2018, Hong Kong Life Sciences and Technologies Group Ltd. will constantly keep reviewing the group's strategies and operations with a view to improving its business performance. In view of the growth potential in the PRC market, it intends to further develop the business in the PRC. It will also continue to enhance the existing business and explore other business and investment opportunities to diversify the revenue stream and business portfolios to enhance the interest of the shareholders.</p>
Li Bao Ge Group Limited	<p data-bbox="671 949 1318 983">Operation of a chain of Chinese restaurants.</p> <p data-bbox="671 1025 1449 1653">As disclosed in the interim report for the six months ended 30 June 2018, Li Bao Ge Group Limited will, among others, target to capture the mid-to-high end spending customers when considering the opening of any new non-Chinese cuisine restaurants in the future, in order to maintain the group's positioning in the mid-to-high end catering market. The group will also continue to utilise its available resources to implement its business strategies, namely, expansion in Hong Kong with multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers.</p>

Name of investee company	Principal business and future prospect
Jete Power Holdings Limited	<p>Manufacturing and trading of cast metal products, including pump components, filter components, valve components and food machinery components.</p> <p>As disclosed in the interim report for the six months ended 30 June 2018, Jete Power Holdings Limited will continue to adopt a positive yet prudent approach in its business strategies aiming to enhance the group's profitability and the shareholders' value in the long run.</p>
Zheng Li Holdings Limited	<p>Maintenance and repair of passenger cars, and modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.</p> <p>As disclosed in the interim report for the six months ended 30 June 2018, Zheng Li Holdings Limited will focus on maintaining its position in the Singapore passenger car market. It will continue to expand its service and product offerings as customer demands and trends shift, and forge stronger bonds with customers, suppliers and working partners to continue to provide the premier passenger car service in the Singapore passenger car market.</p>
Hing Ming Holdings Limited	<p>Rental of temporary suspended working platforms and other construction equipment, such as tower crane and generator and trading of permanent suspended working platforms, motors and wire rope.</p> <p>As disclosed in the quarterly report for the three months ended 30 June 2018, Hing Ming Holdings Limited will strive to lead the temporary suspended working platform industry with the offer of high-quality equipment and premium service and will also seize emerging opportunities in the growing equipment rental industry.</p>

Name of investee company	Principal business and future prospect
C&N HOLDINGS LIMITED	<p>Provision of transport and storage services to the logistics industry.</p> <p>As disclosed in the interim report for the six months ended 30 June 2018, C&N HOLDINGS LIMITED will continue to strive to provide customers with timely delivery and storage of their containers, maintain growth in the industry and enhance overall competitiveness and market share in Singapore.</p>
Basetrophy Group Holdings Limited	<p>Foundation and site formation works and other geotechnical engineering works.</p> <p>As disclosed in the interim report for the six months ended 30 June 2018, Basetrophy Group Holdings Limited plans to expand its fleet of machinery and equipment, which enhance the basis of its technical capability to bid future projects. It will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders.</p>
OMNIBRIDGE HOLDINGS LIMITED	<p>Provision of human resources outsourcing services and human resources recruitment services.</p> <p>As disclosed in the interim report for the six months ended 30 June 2018, OMNIBRIDGE HOLDINGS LIMITED will set up its effort on internal restructuring to reduce various operational expenses and improve efficiency. It will also explore business opportunities by investing in new ventures which have strategic and/or operational synergies with the group to further strengthen its position as an established human resources services provider both in Singapore and in Hong Kong and explore potential investment opportunities in other regions or a better diversified business line at opportune time to leverage the group's business.</p>

During the year ended December 31 2017, no dividend was received from the above securities investment. As at 31 December 2017, the market value of the listed securities being held by the Group was approximately HK\$13,743,800 in value and an unrealized loss on fair value change was approximately HK\$1,240,000. No impairment was made to the above securities investment.

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, equity market conditions, investor sentiment and the business performance of the investee companies. The Board will continue look out for attractive investment opportunities which can generate better returns to its shareholders.

3. VALUATION IN RESPECT OF THE MINING RIGHT

As disclosed on page 80 and in note 16 of the notes to the financial statement in the Annual Report, the Group had mining right of approximately RMB35.5 million as at 31 December 2017.

The Company had engaged an external valuer to perform a valuation on the mining right in 2012 (the “**2012 Valuation**”). Based on the 2012 Valuation, the value of the mining right as at 21 September 2012 was RMB42.6 million. The difference between the value of the mining right as shown in the 2012 Valuation and the Annual Report was due to the amortization made since the acquisition of the mining right.

In accordance with *IFRS 3 Business Combinations*, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. According to *IAS 38 Intangible Assets*, after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Accordingly, the Company considers that use of the 2012 Valuation in the determination of the value of the mining right as at 31 December 2017 is fair and reasonable and in accordance with the applicable accounting standards.

No impairment had been recorded in respect of the mining right since the 2012 Valuation and up to the date of the Annual Report.

(i) Valuation inputs and basis/assumptions

The major basis and/or assumptions and valuation inputs applied in the 2012 Valuation are set out as follows:

In determining the fair value of the mining right, various assumptions, including future cash flows to be associated with the mining right and the discount rate, were made. A 16% real discount rate was adopted for the mining right, which was the real discount rate for Xiangyang Future Bright Mining Company Limited* (襄陽高鵬礦業有限公司) (the “**Target Company**”) plus 1% risk premium considering the extra risk and uncertainty of the mining right. The Weighted Average Cost of Capital (“**WACC**”) was adopted as the real discount rate for the Target Company. The following companies were selected in determining the real WACC for the Target Company.

Guideline Public Companies	Stock Code
1 China Kingstone Mining Holdings Ltd	1380 HK
2 China Coal Energy Co Ltd	1898 HK
3 Jiangxi Copper Co Ltd	358 HK
4 Zijin Mining Group Co Ltd	2899 HK
5 Yanzhou Coal Mining Co Ltd	1171 HK
6 China Molybdenum Co Ltd	3993 HK
7 Shandong Gold Mining Co Ltd	600547 CH

The determination of the fair value of the Target Company required complex and subjective judgments made regarding the projected financial and operating results, the unique business risks and the operating history and prospects at the time of valuation. The major assumptions used are as follows:

	Target Company
Sales volume	1,400 to 20,000m ³
Unit price (RMB'000/m ³)	3.76
Unit cost (RMB'000/m ³)	1.03 to 3.26
Gross margin	12% to 72%
Net margin	-36% to 27%
Weighted average cost of capital	15%
Terminal growth rate	3%

(ii) Valuation methodologies

In arriving at the 2012 Valuation, the following three valuation methods had been considered: asset approach, market approach and income approach. The asset approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the mining right. Thus it was not utilized in the 2012 Valuation. The market approach can be used to value the mining right provided that appropriate market data can be identified. The ability to apply a market approach is limited by the availability of comparable public entity and market transaction data in respect of the mining right. In view of the above factors, it is considered that the Multi-Period Excess Earnings Method (the “**MEEM**”) under the income approach methodology should be more reliable than the market approach in determining the fair value of the mining right. The MEEM is the most common method for valuing mining right, because it is used to measure economic benefits when they are difficult to directly identify, but clearly have value. The MEEM measures economic benefits by calculating the cash flow attributable to an asset after deducting appropriate returns for contributory assets used by the business in generating the mining right’s revenue and earnings (commonly referred to as “**contributory asset charges**” or “**CACs**”).

The revenue, cost of revenue and the operating expense were estimated based on the management forecast. The forecast period is 14 years and 3 months, starting from October 2012 to December 2026. Working capital, fixed asset and intangible asset for assembled workforce had been deducted from the CACs.

The additional information above does not affect other information contained in the Annual Report, and the contents of the Audit Report remain unchanged.

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

Hong Kong, 3 September 2018

As at the date of this announcement, the executive directors of the Company are Ms. Liu Jie, Mr. Chen Gang, Mr. Rao Dacheng, Mr. Wan Tat Wai David, Ms. Yang Xiaoqiu, Mr. Zhang Decong and Mr. Yuan Shan (alternate director to Mr. Zhang Decong); and the independent non-executive directors of the Company are Mr. Chow Hiu Tung, Mr. Lau Tai Chim, Mr. Lai Kwok Leung and Mr. Hu Minglong.

* *for identification purpose only*