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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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN THE TARGET COMPANY;

AND

(2) CONTINUING CONNECTED TRANSACTION

THE ACQUISITION

On 27 September 2019 (after trading hours), the Company as the purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest at the Consideration of RMB62,000,000.

CONTINUING CONNECTED TRANSACTION

On 27 September 2019 (after trading hours), the Target Company and the Vendor entered into the Patent License and Technology Support Agreement for a period of three years commencing from the Completion Date, pursuant to which the Target Company agreed to, subject to Completion, grant to the Vendor a non-exclusive license to use certain patents registered under the name of the Target Company and undertakes to procure the Institute to provide technical support services to the Vendor at an aggregate annual fee of RMB38,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Li is the controlling shareholder of the Company by virtue of his shareholding of 2,388,995,000 Shares, representing approximately 61.73% of the issued share capital of the Company. The Target Company is owned as to 70% by the Vendor, in which Mr. Li has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the Target Company will become a direct non-wholly owned subsidiary of the Company. The Vendor, in which Mr. Li, the controlling shareholder and a connected person of the Company, has an indirect majority equity interest, is an associate of Mr. Li. Accordingly, the transaction contemplated under the Patent License and Technology Support Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Annual Caps of the transactions contemplated under the Patent License and Technology Support Agreement are more than 5%, the Continuing Connected Transaction is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held during which ordinary resolutions shall be proposed to the Independent Shareholders to approve the Acquisition and the Continuing Connected Transaction.

The Independent Board Committee of the Company, comprising all the independent non-executive Directors, namely Mr. Chen Xun, Mr. Zhang Yijun, Professor Lau Chi Pang JP and Ms. Liu Shuyan, has been established to advise the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transaction.

An Independent Financial Adviser will be appointed to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and the Continuing Connected Transaction (including the Annual Caps).

A circular containing, among other things, (i) further particulars of the Acquisition and the Continuing Connected Transaction; (ii) the recommendations of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 15 November 2019, to allow sufficient time for the preparation of the relevant information to be included in the circular.

WARNING NOTICE

As the Acquisition and the Continuing Connected Transaction are subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board announces that on 27 September 2019 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest at the Consideration of RMB62,000,000.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

27 September 2019

Parties

- (i) The Company as the purchaser. The Company is an investment holding company. The Group is principally engaged in the production and sale of marble and marble related products. Through its subsidiaries, the Company is also engaged in trading of mineral commodities.
- (ii) The Vendor. The Vendor is a company incorporated in the PRC with limited liability and was jointly established by Mr. Li and the Institute for the purpose of conducting researches in mineral processing methodology and as investment arm. The Target Company is owned as to 70% by the Vendor, in which Mr. Li, the controlling shareholder of the Company, has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest, representing 70% of the equity interest in the Target Company.

The Purchaser is allowed under the Sale and Purchase Agreement to nominate its wholly-owned subsidiary as the holder of the Sale Interest.

Consideration

The Consideration payable by the Purchaser to the Vendor for the Sale Interest shall be an aggregate of RMB62,000,000, which shall be satisfied by the Purchaser by cash in the following manner:

- (i) a sum of RMB6,200,000 (the “**Deposit**”) will be paid by the Purchaser to the Vendor upon the signing of the Sale and Purchase Agreement, to be applied as partial payment of the Consideration upon Completion or, refundable in full without set off if the Sale and Purchase Agreement does not proceed to Completion;
- (ii) a sum of RMB15,800,000 shall be paid by the Purchaser to the Vendor on the Completion Date as the second stage payment of the Consideration;
- (iii) a sum of RMB20,000,000 shall be paid by the Purchaser to the Vendor on the first anniversary of the Completion Date; and
- (iv) the balance of the Consideration, being RMB20,000,000, shall be paid by the Purchaser to the Vendor on the second anniversary of the Completion Date.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms taking into account, among other things, (i) the preliminary valuation prepared by an independent valuer in relation to the fair value of the Sale Interest; and (ii) the future business prospects of the Target Company.

Conditions precedent

Completion is conditional upon the fulfilment (or waiver, if permitted) of the following conditions:

- (i) completion to the reasonable satisfaction of the Purchaser of its due diligence review of the Target Company, including, but not limited to, review of business, legal, financial aspects of the Target Company;
- (ii) all necessary license, consents, approvals, authorization, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval required to be obtained on the part of the Purchaser, the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) the Vendor obtaining the waiver of pre-emption right over the Sale Interest by the Institute;
- (iv) there being no material adverse change in respect of the financial or business condition of the Target Company since the date of the Sale and Purchase Agreement;

- (v) the warranties and representations as referred to in the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects on and as of the Completion Date;
- (vi) the passing of the necessary resolution(s) by the Independent Shareholders at the relevant general meeting of the Company approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (vii) the entering into of the Patent License and Technology Support Agreement between the Vendor and the Target Company on or before the Completion Date; and
- (viii) the Vendor obtaining or procuring the Target Company to obtain an undertaking from the Institute to provide technical staff and support services under the Patent License and Technology Support Agreement.

The Purchaser may in its absolute discretion waive any of the conditions precedent in (i), (ii), (iv) or (v) by notice in writing to the Vendor. If the conditions precedent above are not fully fulfilled or waived (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall automatically terminate with immediate effect on the Long Stop Date and the Vendor shall refund the Deposit in full (without interest) to the Purchaser and neither party shall have any claim against the other save and except for any antecedent breach.

Completion

Subject to the fulfillment of all the above conditions precedent (or waived by the Purchaser as the case may be), the Vendor and the Target Company shall, within 20 Business Days, attend to the registration in respect of the transfer of the Sale Interest with the local Administration for Industry and Commerce in the PRC, and Completion shall take place on the Completion Date or at such time as may be agreed by the Vendor and the Purchaser in writing pursuant to the Sale and Purchase Agreement.

Upon Completion, the Target Company will be directly owned as to 70% by the Company and as to 30% by the Institute. The Target Company will become a direct non-wholly owned subsidiary of the Company and hence its financial results will be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability on 27 June 2013 and is owned as to 70% by the Vendor and 30% by the Institute as at the date of this announcement. The Target Company is a special purpose vehicle for research jointly conducted by the Vendor and the Institute and owns certain patents in the processing of non-ferrous minerals.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the management accounts provided by the Target Company, the table below sets forth the unaudited financial information of the Target Company for the years ended 31 December 2017 and 31 December 2018, respectively:

	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (RMB'000)
Loss before taxation	114	226
Loss after taxation	114	226

The unaudited net asset value of the Target Company as at 31 December 2018 according to the management accounts of the Target Company was RMB6,819,261.

CONTINUING CONNECTED TRANSACTION

It is a condition precedent of the Sale and Purchase Agreement that the Patent License and Technology Support Agreement shall be entered into between the Target Company and the Vendor on or before the Completion Date.

Mr. Li, the controlling shareholder and a connected person of the Company, has an indirect majority equity interest in the Vendor as at the date of this announcement. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Target Company will become a direct non-wholly owned subsidiary of the Company upon Completion, therefore, any transactions entered into between the Target Company and the Vendor after Completion will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

PATENT LICENSE AND TECHNOLOGY SUPPORT AGREEMENT

On 27 September 2019 (after trading hours), the Target Company and the Vendor entered into the Patent License and Technology Support Agreement. The principal terms of the Patent License and Technology Support Agreement are set out below:

Date

27 September 2019

Parties

- (i) The Target Company (as the licensor) (which, upon Completion, will become a direct non-wholly owned subsidiary of the Company)
- (ii) The Vendor (as the licensee)

Term

For a term of three years commencing from the Completion Date

Subject Matter

The Target Company grants to the Vendor a non-exclusive license to use certain patents registered under the name of the Target Company and undertakes to procure the Institute to provide technical support services to the Vendor.

To avoid any potential competition, the Vendor is only permitted to use the license in the restricted scope pursuant to the Patent License and Technology Support Agreement. The Vendor has entered into a legally binding memorandum of understanding for the production of iron products with an Independent Third Party which is a state-owned enterprise in the PRC, and the Vendor is only allowed to apply the patents under license pursuant to that memorandum.

Condition Precedent

The Patent License and Technology Support Agreement shall be subject to the passing of the necessary resolution(s) by the Independent Shareholders at the relevant general meeting of the Company approving it and the transactions contemplated thereunder.

Annual Caps

The Annual Caps payable under the Patent License and Technology Support Agreement shall comprise the patent license fee and technical support service fee as follows:

- (i) annual patent license fee of RMB25,000,000, which is determined with reference to a percentage of the expected revenue to be received by the Vendor generated from a legally binding memorandum of understanding entered into between the Vendor and an Independent Third Party which is a state-owned enterprise in the PRC. The percentage was considered by an independent valuer to be fair and reasonable and customary in this industry; and
- (ii) annual technical support service fee of RMB13,000,000 in relation to the provision of technical staff and support services by the Target Company to the Vendor, which is calculated with reference to the service and consultation fee guidelines issued by the relevant PRC government authorities, where the technical support services will be provided.

The Annual Caps were determined between the Target Company and the Vendor after arm's length negotiations and on normal commercial terms.

Payment Term

Payment shall be made semi-annually by the Vendor.

Priority to Renew

Provided that the Vendor agrees to pay the Target Company an annual patent license fee of not less than RMB25,000,000, the Vendor shall have a priority to renew the Patent License and Technology Support Agreement upon obtaining approval from the Target Company. The amount of annual patent license fee shall be subject to mutual negotiation between the Vendor and the Target Company. Such renewal is also subject to any regulatory approval applicable to the Company at such time of renewal and compliance with relevant Listing Rules by the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CONTINUING CONNECTED TRANSACTION

The Group is principally engaged in the production and sale of marble and marble related products. In addition, the Group is actively seeking opportunities in the exploration and mining activities in the PRC, especially in non-ferrous minerals. The Group believes the Acquisition can be beneficial to the Group's future business development in non-ferrous minerals especially in terms of processing. Specifically, the patents and other intellectual properties owned by the Target Company can potentially enhance the Group to process ore of future acquisition targets of non-ferrous mines more efficiently, resulting in better output both qualitatively and quantitatively. In such way, the Group will be in a better bargaining position in negotiating with potential acquisitions targets of non-ferrous mines as the Group can process ore more efficiently.

In addition, by co-operating with the Institute (through the Institute's continuous interests in 30% of the equity interests in the Target Company), the Group is expected to co-operate with the Institute to research on the processing of marble ore and marble related products, and thus enabling us to process the Group's existing products in a more cost efficient manner. The Continuing Connected Transaction enables the Group to have a stable income stream with the provision of non-exclusive patent license and technical support services to the Vendor. The Group does not believe that there is competition with the Vendor as the license is limited to be applied pursuant to the memorandum entered into by the Vendor with the state-owned enterprise.

In light of the above, the Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Acquisition and the Continuing Connected Transaction, which have been agreed after arm's length negotiations, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Li is the controlling shareholder of the Company by virtue of his shareholding of 2,388,995,000 Shares, representing approximately 61.73% of the issued share capital of the Company. The Target Company is owned as to 70% by the Vendor, in which Mr. Li has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the Target Company will become a direct non-wholly owned subsidiary of the Company. The Vendor, in which Mr. Li, the controlling shareholder and a connected person of the Company, has an indirect majority equity interest, is an associate of Mr. Li. Accordingly, the transaction contemplated under the Patent License and Technology Support Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Annual Caps contemplated under the Patent License and Technology Support Agreement are more than 5%, the Continuing Connected Transaction is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held during which ordinary resolutions shall be proposed to the Independent Shareholders to approve the Acquisition and the Continuing Connected Transaction.

The Independent Board Committee of the Company, comprising all the independent non-executive Directors, namely Mr. Chen Xun, Mr. Zhang Yijun, Professor Lau Chi Pang JP and Ms. Liu Shuyan, has been established to advise the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transaction. The Independent Financial Adviser will be appointed to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and the Continuing Connected Transaction (including the Annual Caps).

Mr. Li, being the controlling shareholder of the Company and has an indirect majority equity interest in the Vendor, will be required to abstain from voting at the EGM in respect of the resolutions and has abstained from voting at the Board meeting approving the Acquisition and the Continuing Connected Transaction.

Due to his position as a general manager of the Target Company, Mr. Hu Minglong, an executive Director, is regarded as having a material interest in the Acquisition and the Continuing Connected Transaction and has abstained from voting at the Board meeting approving the Acquisition and the Continuing Connected Transaction.

GENERAL

A circular containing, among other things, (i) further particulars of the Acquisition and the Continuing Connected Transaction; (ii) the recommendations of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 15 November 2019, to allow sufficient time for the preparation of the relevant information to be included in the circular.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Interest pursuant to the Sale and Purchase Agreement
“Annual Caps”	the annual maximum total amount payable by the Vendor to the Target Company under the Patent License and Technology Support Agreement for each of the three years commencing from the Completion Date
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks generally are open for business in Hong Kong, other than (i) a Saturday or Sunday; or (ii) a day (from 9 a.m. to 5 p.m.) on which typhoon signal no. 8 or black rainstorm is hoisted
“Company” or “Purchaser”	Future Bright Mining Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange with stock code 2212 and the purchaser under the Sale and Purchase Agreement

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date when the registration in respect of the transfer of the Sale Interest with the local Administration for Industry and Commerce in the PRC is completed or such later date as shall be agreed between the parties to the Sale and Purchase Agreement in writing
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition under the Sale and Purchase Agreement, being RMB62,000,000
“Continuing Connected Transaction”	the continuing connected transactions contemplated under the Patent License and Technology Support Agreement
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other matters, the Sale and Purchase Agreement, the Patent License and Technology Support Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“HK\$” or “\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Patent License and Technology Support Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement, the Patent License and Technology Support Agreement and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at the EGM to approve the Sale and Purchase Agreement, the Patent License and Technology Support Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	any person who is not a connected person of the Company under Chapter 14A of the Listing Rules
“Institute”	中國科學院過程工程研究所 (The Institute of Processing Engineering, Chinese Academy of Science*), the shareholder of 30% equity interest in the Target Company, an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2020 (or such later date as may be agreed by the Vendor and the Purchaser in writing)
“Mr. Li”	Mr. Li Yuguo, the controlling shareholder and an executive Director of the Company
“Patent License and Technology Support Agreement”	the patent license and technical service agreement dated 27 September 2019 entered into between the Vendor (as the licensee) and the Target Company (as the licensor)
“percentage ratio”	has the meaning ascribed to it in the Listing Rules
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27 September 2019 entered into between the Company as purchaser and the Vendor in respect of the Acquisition
“Sale Interest”	70% of the equity interest in the Target Company

“Shareholders”	holders of the Shares
“Shares”	ordinary shares with a nominal value of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳中科九台資源利用研究院有限公司 (Shenzhen Zhongke Jiutai Resources Utilization Research Institute Co., Ltd.*), a company established in the PRC with limited liability, which is owned as to 70% by the Vendor and as to 30% by the Institute
“Vendor”	深圳市中科九台資源利用科技產業股份有限公司 (Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.*), a company incorporated in the PRC with limited liability, in which Mr. Li has an indirect majority equity interest and the Institute has a minority equity interest
“%”	per cent

By Order of the Board
Future Bright Mining Holdings Limited
Li Yuguo
Executive Director

Hong Kong, 27 September 2019

As at the date of this announcement, the executive Directors are Ms. Liu Jie (the chairperson), Mr. Li Yuguo, Mr. Hu Minglong, Mr. Liu Yan Chee James, Mr. Rao Dacheng and Ms. Yang Xiaoqiu; the non-executive Director is Mr. Yang Xiaoqiang (the vice chairman); and the independent non-executive Directors are Mr. Chen Xun, Mr. Zhang Yijun, Prof. Lau Chi Pang JP and Ms. Liu Shuyan.

* for identification purpose only