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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)

VERY SUBSTANTIAL ACQUISITION RENEWAL OF THE MINING PERMIT OF THE YIDUOYAN PROJECT AND THE TRANSFER AGREEMENT

INTRODUCTION

As announced by the Company on 18 July 2023, Xiangyang Future Bright has successfully renewed the Mining Permit of the Yiduoyan Project with the Bureau on 12 July 2023, pursuant to which the term of the mining rights is renewed for a period of 20 years.

THE TRANSFER AGREEMENT

In connection with and as part of the Renewal process, Xiangyang Future Bright has entered into the Transfer Agreement with the Bureau, pursuant to which the mining rights of the Yiduoyan Project would be transferred to Xiangyang Future Bright, subject to the payment of the Fee of RMB98.7314 million in cash. A duly executed Transfer Agreement was received from the Bureau by Xiangyang Future Bright on 21 June 2023.

Subsequent to the signing of the Transfer Agreement and the payment of the first instalment of the Fee, the Renewed Mining Permit was issued to Xiangyang Future Bright.

LISTING RULES IMPLICATION

Since the highest percentage ratio in respect of the Transaction is more than 100%, the entering into of the Transfer Agreement (and the transaction contemplated thereunder) constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

At the time of the entering of the Transfer Agreement, the Company had considered the relevant Listing Rules' implications and in particular, whether the Transaction would constitute a notifiable transaction under Chapter 14 of the Listing Rules. Given that (i) the Transfer Agreement was part of the Renewal process, which was solely administrative by nature for the purpose of renewing the Mining Permit under the applicable rules and regulations of the PRC; (ii) Xiangyang Future Bright has no mechanism to comment on the terms of the Transfer Agreement, including the level of the Fee; and (iii) the Fee was solely determined by the Bureau and was considered as an administrative fee for the Renewal, the Company did not regard the entering into of the Transfer Agreement (and the transaction contemplated thereunder) as an acquisition under Chapter 14 of the Listing Rules; and had made disclosure in relation to the Renewal by way of an inside information announcement on 18 July 2023 (the “**Announcement**”) under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). Subsequent to the issue of the Announcement, the Company was advised that the Listing Rules shall be interpreted differently and that the Renewal was in substance an acquisition of mining assets. The Company then proceeded to take action to comply with the relevant requirements in relation to the Transaction, including reporting, announcement, circular and Shareholders' approval, pursuant to Chapter 14 of the Listing Rules. It was never the Company's intention to disregard the relevant compliance requirements under the Listing Rules in relation to the Transfer Agreement (and the transaction contemplated thereunder).

GENERAL

An EGM will be convened and held for Shareholders to consider and, if thought fit, pass the relevant resolution to approve and ratify the Transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction, and therefore no Shareholder is required to abstain from voting on the relevant resolution in respect of the Transaction.

A circular containing, among others, (i) further details of the Transfer Agreement and the transaction contemplated thereunder; (ii) the Competent Person's Report in respect of the Yiduoyan Project in compliance with the requirements under Chapter 18 of the Listing Rules; (iii) the notice of the EGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days of the date of this announcement.

INTRODUCTION

As announced by the Company on 18 July 2023, Xiangyang Future Bright has successfully renewed the Mining Permit of the Yiduoyan Project with the Bureau on 12 July 2023, pursuant to which the term of the mining rights is renewed for a period of 20 years.

In connection with and as part of the Renewal process, Xiangyang Future Bright has entered into the Transfer Agreement with the Bureau, pursuant to which the mining rights of the Yiduoyan Project would be transferred to Xiangyang Future Bright, subject to the payment of the Fee of RMB98.7314 million in cash. A duly executed Transfer Agreement was received from the Bureau by Xiangyang Future Bright on 21 June 2023.

THE TRANSFER AGREEMENT

Set out below is a summary of the principal terms of the Transfer Agreement:

Date: 20 June 2023 (*Note*)

Parties: (a) Xiangyang Future Bright as the transferee; and
(b) the Bureau as the transferor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Bureau and its ultimate beneficial owners are Independent Third Parties.

Note: The Transfer Agreement was dated 20 June 2023 but it was officially passed by the Bureau to Xiangyang Future Bright on 21 June 2023 as part of the Renewal process.

The Mining Rights

Pursuant to the terms of the Transfer Agreement, the mining rights of the Yiduoyan Project would be transferred to Xiangyang Future Bright, subject to the payment of the Fee of RMB98.7314 million in cash. The mining rights cover a mining area of 0.3973 km² and an annual production capacity of 200,000 m³.

According to the Transfer Agreement, the period of transfer of the mining rights would be subject to the PRC Assessment Report; and the validity of the Renewed Mining Permit would be determined accordingly.

Also, in order to further extend the mining rights of the Yiduoyan Project, Xiangyang Future Bright shall make an application to the Bureau 30 days prior to the expiration date of the Renewed Mining Permit, failing which the right to extend the mining rights shall be deemed to be waived by Xiangyang Future Bright and the mining rights shall be automatically terminated.

The Fee

The Fee is RMB98.7314 million, which shall be settled in cash and paid by Xiangyang Future Bright to the Bureau in four instalments:

- (i) the first instalment in the amount of RMB60 million shall be paid prior to the issue of the Renewed Mining Permit;
- (ii) the second instalment in the amount of RMB8.7314 million shall be paid before 1 October 2027;
- (iii) the third instalment in the amount of RMB15 million shall be paid before 1 October 2028; and
- (iv) the last instalment in the amount of RMB15 million shall be paid before 1 October 2029.

As disclosed by the Company on 18 July 2023, the first instalment of the Fee had been paid by the Group in July 2023.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, in determining the Fee, the Bureau has made reference to the key assessment indicators as stated in the PRC Assessment Report, which includes a mining area of 0.3973 km², a total estimated resources of limestone for decoration use of 16.687 million m³ and limestone for construction use of 14.205 million m³ as at 30 June 2022 and an annual production capacity of 200,000 m³. Reference has also been made to the estimated amount of fixed assets investment, operating costs and depreciation rate. In respect of the payment terms, Xiangyang Future Bright has used its best endeavors to arrange with the Bureau for a payment by instalments instead of a one-off payment, such that the potential impact of the payment of the Fee on the Group's cash flow may be minimised.

Under the process of the Renewal, Xiangyang Future Bright has no mechanism to comment on the terms of the Transfer Agreement, including the level of the Fee. Also, in the view of the Company, the Renewal (including the entering into of the Transfer Agreement) was, by nature, solely administrative procedures regulated by the Bureau for the purpose of renewing the Mining Permit pursuant to applicable rules and regulations of the PRC, and the Fee was solely determined by the Bureau. Save for the PRC Assessment Report, which was commissioned to be issued by the Bureau, no separate valuation report has been prepared by the Group for the purpose of the Renewal process with the Bureau. Internally, the Directors have reviewed the PRC Assessment Report prepared by qualified professionals in the PRC and assessed based by the applicable standards in the PRC. Having considered the above, the Directors are of the view that it is fair and reasonable to enter into the Transfer Agreement and pay the Fee accordingly, bearing in mind that failure to enter into the Transfer Agreement or failure to pay the Fee may render the Group mining without a valid mining permit and adversely affect the business of the Group significantly.

The Fee would be funded by internal resources of the Group and interest-bearing, unsecured loans in the amount of RMB40 million provided by Independent Third Parties.

Conditions

There is no condition precedent under the Transfer Agreement.

THE RENEWED MINING PERMIT

Subsequent to the signing of the Transfer Agreement and the payment of the first instalment of the Fee of RMB60 million, the Renewed Mining Permit (with a validity period of 20 years from 12 July 2023 to 12 July 2043) was issued to Xiangyang Future Bright.

The Renewed Mining Permit covers a mining area of 0.3973 km² and an annual production capacity of 540,000 tonnes (equivalent to approximately 200,000 m³).

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in the (i) excavation and sale of marble blocks; (ii) production and sale of marble related products; (iii) trading of mineral commodities; and (iv) trading of coals.

Xiangyang Future Bright is an indirect wholly-owned subsidiary of the Company and the holder of the Renewed Mining Permit. It is principally engaged in mining, ore processing and the sale of marble products.

The Bureau

The Bureau is a governmental authority of the PRC and the transferor of the mining rights of the Yiduoyan Project.

INFORMATION OF THE YIDUOYAN PROJECT

The Yiduoyan Project is an open pit marble mine located in the Hubei Province of the PRC, in which commercial production commenced in September 2014. Marble blocks mined from the Yiduoyan Project are the Company's principal products. Prior to the Renewal, Xiangyang Future Bright held the Mining Permit of the Yiduoyan Project for a term of 10 years, covering an area of approximately 0.5209 km².

For the year ended 31 December 2022, a total of 1,851 m³ of marble blocks had been sold by the Group and the revenue generated from the marble and marble-related business of the Group amounted to approximately RMB7.56 million.

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group was required to carry out new exploration work at the Yiduoyan Project. According to the letter issued by the Natural Resources and Planning Bureau of Xiangyang* (襄陽市自然資源和規劃局) in June 2022, as at the end of March 2022, there were a total estimated resources of limestone for decoration use of 16.687 million m³ and limestone for construction use of 14.205 million m³ in the mining area of the Yiduoyan Project. These resource statements were made on a non-JORC Code basis.

AP Appraisal Limited, an independent technical consultant, has been engaged by the Company to prepare a Competent Person's Report on the update of the mineral resources and ore reserves of the Yiduoyan Project as at 31 May 2023 in compliance with the JORC Code and such Competent Person's Report will be included in the circular of the Company as required under Chapter 18 of the Listing Rules.

REASONS AND BENEFITS FOR THE TRANSACTION

The Group is principally engaged in, among others, the excavation and sale of marble blocks and the production and sale of marble-related products. It is one of the Group's objectives to become a well-known supplier of marble blocks in the PRC by developing the Yiduoyan Project, which is the only mining project of the Group and is expected to remain as the Group's only operating mine in the near future.

In recent years, the Group has been actively exploring new customers of its marble business by different ways including through the network of its senior management and sales teams in Beijing and Xiamen. For the development and expected growth of the marble business, the Group has, in June 2020, submitted an application of enhancing the annual production capacity of the Yiduoyan Project to 200,000 m³. As the Renewal allows the Group to have mining rights over the Yiduoyan Project for another 20 years from 12 July 2023 to 12 July 2043 together with an increase in annual production capacity from 20,000 m³ to 200,000 m³, the Directors consider that the Renewal is crucial to the business development of the Group. It is also in the Directors' view that the Transaction is in line with the business development strategy and planning of the Group, enabling the Group to expand its mining production in the future.

The Directors consider the entering into of the Transfer Agreement as part of the Renewal process is in the Group's ordinary and usual course of business and the Transaction is in the interests of the Company and Shareholders as a whole, and it is fair and reasonable to enter into the Transfer Agreement, which reflects the standardised terms generally adopted by the Bureau for mining permit renewal cases, bearing in mind that failure to enter into the Transfer Agreement or failure to pay the Fee pursuant to the Transfer Agreement may render the Group mining without a valid mining permit and adversely affect the business of the Group significantly.

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Since the highest percentage ratio in respect of the Transaction is more than 100%, the entering into of the Transfer Agreement (and the transaction contemplated thereunder) constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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As the Company is now well aware of the interpretation of the Listing Rules in this regard and the Renewed Mining Permit has a validity period of 20 years until 12 July 2043, the Company considers that the risk of similar incident reoccurring would be low. Nonetheless, in evaluating the Listing Rules' implications for any future transactions, the Company would consult the Stock Exchange at an early stage where appropriate. Refresher training will be arranged to be provided to Directors and senior management members of the Company on the Listing Rules in a regular manner.

GENERAL

An EGM will be convened and held for Shareholders to consider and, if thought fit, pass the relevant resolution to approve and ratify the Transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction, and therefore no Shareholder is required to abstain from voting on the relevant resolution in respect of the Transaction.

A circular containing, among others, (i) further details of the Transfer Agreement and the transaction contemplated thereunder; (ii) the Competent Person's Report in respect of the Yiduoyan Project in compliance with the requirements under Chapter 18 of the Listing Rules; (iii) the notice of the EGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days of the date of this announcement.

DEFINITIONS

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

“Board”	the board of Directors
“Bureau”	The Natural Resources and Planning Bureau of Nanzhang County* (南漳縣自然資源和規劃局)
“Company”	Future Bright Mining Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2212)
“Competent Person’s Report”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, pass the relevant resolution to approve and ratify the Transaction
“Fee”	RMB98.7314 million, being the resources fee payable by Xiangyang Future Bright to the Bureau under the Transfer Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) produced by the Australasian Joint Ore Reserves Committee

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Permit”	the mining permit of the Yiduoyan Project previously held by Xiangyang Future Bright, which expired on 30 December 2021
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC Assessment Report”	an assessment report (採礦權出讓收益評估報告) dated 14 July 2022 prepared by the designated valuer engaged by the Bureau to determine (on a non-JORC Code basis) the amount of mining resources and the estimated additional resources fee payable for the mining rights of the Yiduoyan Project
“Renewal”	the renewal of the Mining Permit by Xiangyang Future Bright for a period of 20 years from 12 July 2023 to 12 July 2043
“Renewed Mining Permit”	the renewed mining permit of the Yiduoyan Project held by Xiangyang Future Bright dated 12 July 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transfer of the mining rights of the Yiduoyan Project pursuant to the terms of the Transfer Agreement
“Transfer Agreement”	the transfer agreement dated 20 June 2023 entered into between Xiangyang Future Bright and the Bureau as part of the Renewal process

“Xiangyang Future Bright”	Xiangyang Future Bright Mining Limited* (襄陽高鵬礦業有限公司), an indirect wholly-owned subsidiary of the Company
“Yiduoyan Project”	the Yiduoyan mine, an open pit marble mine located in Xiaoyan Town, Nanzhang County, Xiangyang City, Hubei Province of the PRC, of which its mining right is owned by Xiangyang Future Bright
“km ² ”	square kilometre
“m ³ ”	cubic metre
“%”	per cent.

* For identification purpose only

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

Hong Kong, 4 August 2023

As at the date of this announcement, the executive Directors are Mr. Li Yuguo, Mr. Liu Yan Chee James, Mr. Lyu Bin, Mr. Yang Jiantong and Mr. Yang Xiaoqiang (the vice chairman); and the independent non-executive Directors are Prof. Lau Chi Pang J.P., Mr. Wang Xiaolong and Mr. Zhang Yijun.