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Future Development Holdings Limited

未來發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

On 10 July 2019 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares at the total consideration of HK\$125 million. The Consideration shall be satisfied on the Completion Date as (i) an amount equivalent to the Outstanding Loan to be offset on a dollar-for-dollar basis; and (ii) the balance upon the offset to be paid by the Purchaser in cash to the Company.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the Disposal; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 July 2019 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that the Disposal is subject to a number of Conditions Precedent which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are summarized as follows:

Date: 10 July 2019 (after trading hours of the Stock Exchange)

Parties:

- (i) Vendor: the Company
- (ii) Purchaser: Frankinton Technology Limited

As at the date of this announcement, the Purchaser does not hold any equity interest in the Target Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject matter

The Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company, free from all encumbrances together with all rights attaching thereto on or after the date of the Disposal Agreement.

As at the date of this announcement, the Target Group is the sole owner of the Land and the Properties. Further details of the Target Group are set out in the section headed “Information on the Target Group” in this announcement.

Facility Agreement

On 27 February 2019, the Company (as borrower) and the Purchaser (as lender) entered into a facility agreement (the “**Facility Agreement**”) pursuant to which the Purchaser has agreed to grant a term loan facility of HK\$100 million to the Company. As at 30 June 2019, the outstanding principal amount and interest accrued under the Facility Agreement are approximately HK\$52.5 million and approximately HK\$490,000 respectively.

Pursuant to the Disposal Agreement, part of the Consideration for the Disposal shall be offset against the Outstanding Loan owing to the Purchaser by the Company on the Completion Date.

Consideration

The total consideration for the sale and purchase of the Sale Shares is HK\$125 million, which shall be satisfied in the following manner on the Completion Date:

- (i) an amount equivalent to the Outstanding Loan shall be satisfied by the Purchaser offsetting against the Outstanding Loan on dollar-for-dollar basis; and
- (ii) the balance shall be paid to the Company by the Purchaser in cash.

The Consideration was arrived at arm’s length commercial negotiations between the Purchaser and the Company and was determined with reference to, among others, (i) the unaudited consolidated net asset value of the Target Group of approximately RMB93.72 million (equivalent to approximately HK\$105.62 million) as at 30 April 2019 (the “**Target Group NAV**”); (ii) the preliminary valuation (the “**Valuation**”) prepared by an independent valuer showing an indicative value of the Land and the Properties as at 30 June 2019 being not less than RMB134.4 million (equivalent to approximately HK\$151.47 million) under the income approach; (iii) the reasons for and benefits of the Disposal as stated under the section headed “Reasons for and benefits of the Disposal” in this announcement; (iv) the Consideration represents a premium of approximately 18.34% over the Target Group NAV; and (v) the Target Group having reported loss before taxation for the years ended 31 December 2017 and 2018. In view of the above, the Directors consider that the Consideration is fair and reasonable.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group;
- (b) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Company in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (c) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (d) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Disposal Agreement and the transactions contemplated thereunder.

The Company shall use its best endeavours to assist the Purchaser in connection with the Conditions Precedent set out in (a) above and procure the fulfillment of the Conditions Precedent set out in (b), (c) and (d) above. The Purchaser may at any time waive in writing the Conditions Precedent set out in (a) above. If the above Conditions Precedent have not been satisfied (or, as the case may be, waived by the Purchaser) at or before 4:00 p.m. on 31 October 2019 or such later date as the Company and the Purchaser may agree, the Disposal Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the tenth Business Day following the day when all the Conditions Precedent have been fulfilled (or, as the case may be, waived by the Purchaser).

As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Group.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. The principal business of the Target Company is investment holding.

As at the date of this announcement, the Hong Kong Company is wholly-owned by the Target Company, which is an investment holding company incorporated in Hong Kong with limited liability.

The WFOE is currently a properties holding company which was incorporated as a wholly foreign owned enterprise established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of Hong Kong Company as at the date of this announcement. Its major assets are the Land and the Properties, which comprise of the parcels of land with a total site area of approximately 40,473 square metres, together with the manufacturing facilities thereon with gross floor area of approximately 57,462 square metres. According to the Valuation prepared by an independent valuer, the indicative market value of the Land and the Properties as at 30 June 2019 is not less than RMB134.4 million (equivalent to approximately HK\$151.47 million) under the income approach.

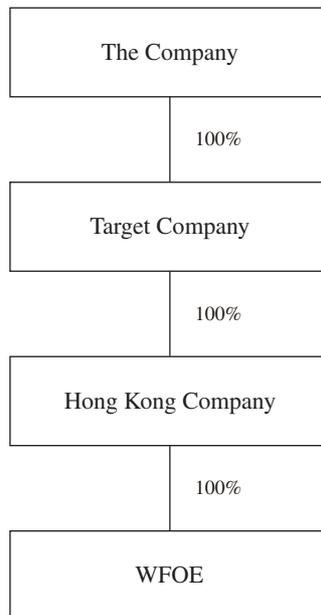
Set out below is the financial information of the Target Group as extracted from its unaudited financial statements prepared under generally accepted accounting principles of the PRC for the two financial years ended 31 December 2017 and 2018:

| | For the year ended 31 December 2017 (unaudited) <i>RMB'000</i> <i>Approximately</i> | For the year ended 31 December 2018 (unaudited) <i>RMB'000</i> <i>Approximately</i> |
|----------------------|---|---|
| Revenue | 627,803 | 191,168 |
| Loss before taxation | 399,106 | 551,195 |
| Loss after taxation | 398,832 | 551,195 |

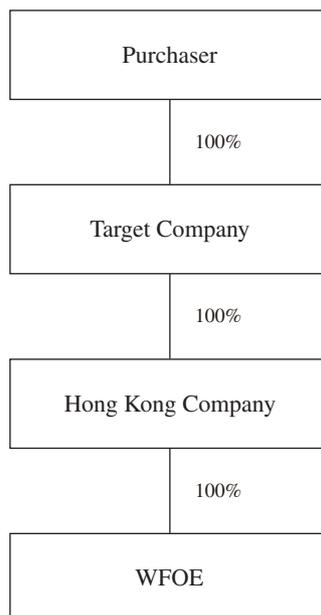
As at 30 April 2019, the unaudited consolidated net asset value of the Target Group was approximately RMB93.72 million (equivalent to approximately HK\$105.62 million).

Shareholding structure of the Target Group

- (a) Below is the shareholding structure of the Target Group as at the date of this announcement:



- (b) Below is the shareholding structure of the Target Group upon Completion:



INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong and is principally engaged in investment of private equity and property.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of online platform, trading of commodities, investment in securities, properties holding and investment holding and the provision of food and beverage services.

As stated in the annual report of the Group for financial year ended 31 December 2018, the Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. The Board considered that financial performance of the Target Group had not been meeting expectation of the Board and the Target Group recorded losses attributable to the equity holders of the Target Group for the recent couple of years despite the fact that the Group had been providing it with working capital. The Company has been streamlining its operation and looking for a stronger financial position with light asset operation and lower geared structure, rich of liquidity and better return on assets. By way of adopting such light asset model, the Group would be able to improve its operational flexibility, reduce its debts, and minimise impact on the existing operation instantly.

The Directors consider that the current market presents an optimum opportunity for the Group to realise cash and unlock the value of its investment in the Land and the Properties, as well as offsetting the Outstanding Loan through the disposal of the Sale Shares pursuant to the Disposal Agreement. The net proceeds from the Disposal, after deducting the estimated expenses, of approximately HK\$71.4 million will be applied as general working capital of the Group and/or potential investment projects to be identified. Accordingly, the Disposal will enable the Group to increase its working capital, and will improve the liquidity and strengthen the overall financial position of the Group.

The terms of the Disposal Agreement were arrived at after arm's length negotiation between the Company and the Purchaser and the Directors consider that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Following Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will cease to be consolidated into those of the Company.

Save for the part of the Consideration for the Disposal that will be offset by the Outstanding Loan owing to the Purchaser by the Company, it is expected that the Group will record an unaudited gain before taxation and transaction cost on the Disposal of approximately HK\$18.28 million, which is calculated based on the total Consideration less (i) the net asset value of the Target Group as at 30 April 2019; and (ii) the related costs and expenses of the Group for the Disposal. However, the actual amount of the gain on the Disposal to be recognised by the Group will depend on the net asset value of the Target Group as at Completion, hence the exact amount of the net gain on the Disposal can only be determined at the Completion Date.

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

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|------------------------|--|
| “Board” | the board of Directors |
| “Business Day(s)” | any day(s) (excluding Saturday, Sunday and public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the PRC |
| “BVI” | British Virgin Islands |
| “Company” | Future Development Holdings Limited (stock code: 1259), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange |
| “Completion” | the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement |
| “Completion Date” | the date of Completion |
| “Conditions Precedent” | has the same meaning as defined in the section headed “Conditions Precedent” in this announcement |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the total consideration of HK\$125 million for the Disposal pursuant to the Disposal Agreement |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Disposal Agreement |
| “Disposal Agreement” | the conditional disposal agreement dated 10 July 2019 entered into between the Purchaser and the Company in relation to the sale and purchase of the Sale Shares |

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| “EGM” | the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the transactions as contemplated under the Disposal Agreement |
| “Group” | collectively, the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong Company” | Prince Frog (HK) Daily Chemicals Company Limited (青蛙王子(香港)日化有限公司), an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company |
| “Independent Third Party(ies)” | a third party(ies) independent of and not connected with the Company and its connected persons |
| “Land” | the parcels of land held by the WFOE at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC with a total area of approximately 40,473 square metres |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Outstanding Loan” | all obligations, liabilities and debts owing or incurred by the Company to the Purchaser on or at any time prior to the Completion under the Facility Agreement |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

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|------------------|---|
| “Properties” | collectively, a warehouse, a research and development centre and dormitories and other buildings and structures erected on the Land which the WFOE has the right to occupy, use, dispose of and benefit |
| “Purchaser” | Frankinton Technology Limited, an investment holding company incorporated in Hong Kong with limited liability |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | the entire issued share capital in the Target Company held by the Company as at the date of the Disposal Agreement |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Golden Virtue Investment Holdings Limited, a company incorporated in the BVI with limited liability |
| “Target Group” | collectively, the Target Company and its subsidiaries |
| “WFOE” | Frog Prince (China) Daily Chemicals Co., Limited* 青蛙王子(中國)日化有限公司, an properties holding company incorporated in the PRC with limited liability and is wholly-owned by the Hong Kong Company |
| “%” | per cent. |

By order of the Board
Future Development Holdings Limited
Tsai Wallen
Chairman and Executive Director

Hong Kong, 10 July 2019

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Tsai Wallen, Mr. Chau Ling and Mr. Lau Ka Ho; (ii) one non-executive Director, namely Mr. Li Zhouxin; and (iii) three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB1.0 to HK\$1.127.

** The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*