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FUTURE WORLD HOLDINGS LIMITED

未來世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
ACQUISITION OF EQUITY INTEREST AND THE ASSIGNMENT OF
SHAREHOLDER'S LOAN IN ELITE HOLDINGS INTERNATIONAL
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

THE SALES AND PURCHASE AGREEMENT

The Board is pleased to announce that, on 26 June 2024 (after trading hours), the Company entered into the Sales and Purchase Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and take assignment of, and the Vendor has conditionally agreed to sell and assign, the entire equity interest in Elite Holdings International and the Shareholder's Loan at considerations of RMB1,774,700 and RMB25,000,000, respectively.

The Consideration shall be satisfied by the Company upon the Completion (i) as to RMB14,126,700 by the allotment and issue of 21,700,000 Consideration Shares to the Vendor at the issue price of HK\$0.7 per Consideration Share; and (ii) the balance of RMB12,648,000 by the issue of the Promissory Note in the principal amount of HK\$13,600,000 to the Vendor (or its designated entity).

The Consideration Shares will be allotted and issued under the General Mandate and are not subject to the approval of the Shareholders. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Upon the Completion, Elite Holdings International will become a wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios of the Acquisition, on an aggregate basis, are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Completion is conditional upon the satisfaction or, if applicable, waiver of the respective conditions precedent set out in the Sales and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that, on 26 June 2024 (after trading hours), the Company entered into the Sales and Purchase Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and take assignment of, and the Vendor has conditionally agreed to sell and assign, the entire equity interest in Elite Holdings International and the Shareholder's Loan at the considerations of RMB1,774,700 and RMB25,000,000, respectively. Upon the Completion, Elite Holdings International will become a wholly-owned subsidiary of the Company.

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

THE SALES AND PURCHASE AGREEMENT

| | |
|----------------|--|
| Date | 26 June 2024 (after trading hours) |
| Parties | (1) the Company (as purchaser); and (2) the Vendor (as vendor). |

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is an Independent Third Party.

Subject matter

The Company has conditionally agreed to acquire and take assignment of, and the Vendor has conditionally agreed to sell and assign, the entire equity interest in Elite Holdings International and the Shareholder's Loan at the considerations of RMB1,774,700 and RMB25,000,000, respectively.

Considerations and payment terms

In respect of the entire equity interest in Elite Holdings International and the Shareholder's Loan, the total consideration of RMB26,774,700 shall be satisfied by the Company in the following manner upon the Completion:

- (i) as to RMB14,126,700 by the allotment and issue of 21,700,000 Consideration Shares to the Vendor (or its designated entity); and
- (ii) the remaining balance of RMB12,648,000 by the issue of the Promissory Note in the principal amount of HK\$13,600,000 to the Vendor (or its designated entity).

The consideration of RMB1,774,700 for the entire equity interest in Elite Holdings International was determined after arm's length negotiations between the Company and the Vendor after considering the appraised fair value of the Target Group as at 31 May 2024 (the assessment benchmark date) at approximately RMB1,776,000 based on the asset-based approach by the Valuer (the "**Valuation**").

Pursuant to the asset-based valuation assessment undertaken by the Valuer, the fair value of the Target Group's identifiable assets and liabilities has been determined as at 31 May 2024. The Valuer has adopted an asset-based approach to ascertain the fair value of the Target Group's individual assets and corresponding liabilities, as reflected in Elite Holdings International's unaudited balance sheet as at the assessment benchmark date.

In determining the valuation approaches, the Valuer considered three generally accepted valuation approaches, namely the income approach, asset-based approach and market approach. The income approach requires subjective assumptions and financial projections which are unavailable given the Target Group is an asset holding group. Comparable market multiples cannot be applied under the market approach for the same reason.

Among the three approaches, the asset-based approach is the most appropriate methodology to determine the fair value of the Target Group. This approach values an enterprise based on the fair value of its identifiable assets and liabilities. As the Target Group primarily holds bank balances, receivables, prepayments and Property, the asset-based approach is considered suitable.

| Assets/Liabilities | Carrying Value as at 31 May 2024 RMB | Fair Value as at 31 May 2024 RMB |
|---|---|---|
| Assets | | |
| Bank balance (<i>Note 2</i>) | 4,932,571 | 4,932,571 |
| Prepayment (<i>Note 2</i>) | 1,764,799 | 1,764,799 |
| Other receivables (<i>Note 2</i>) | 617,000 | 617,000 |
| Amount due from Mr. Chu (<i>Note 2</i>) | 726 | 726 |
| Property (<i>Note 1</i>) | 148,068,126 | 149,888,125 |
| Total Assets | 155,383,222 | 157,203,221 |
| Liabilities (<i>Note 3</i>) | | |
| Accounts payable | (36,426) | (36,426) |
| Tax payables | (32,083) | (32,083) |
| Amount due to Mr. Chu | (25,000,001) | (25,000,001) |
| Other payables | (130,358,554) | (130,358,554) |
| Total Liabilities | (155,427,064) | (155,427,064) |
| Net Assets/(Liabilities) | (43,842) | 1,776,157 |
| 100% Equity Value | | 1,776,157 |

The aggregate appraised value of the entire issued share capital of the Target Group as at the valuation date is approximately RMB1.78 million.

Notes:

- Property refers to the hotel building which is expected to be operated as a hotel in July 2024 (with a carrying value of RMB148,068,126). The Property has been valued by cost approach at a fair value of RMB149.89 million.
- For bank balance, prepayments, other receivables and amount due from Mr. Chu, as confirmed with the management of the Company and analyzing their natures, we assume that the net book values of the above assets should reasonably represent their fair values as at the valuation date.
- All items of liabilities are cited from the financial statement as at 31 May 2024. As confirmed with the management of the Company, all liabilities stated in the financial statement have fully reflected the indebtedness of the Target Group. Therefore, the entire amount of liabilities has been adopted in the valuation.

The consideration of RMB25,000,000 for the Shareholder's Loan was determined after arm's length negotiations between the Company and the Vendor, after considering the carrying amount of the Shareholder's Loan of RMB25,000,001 as at the date of the Sales and Purchase Agreement.

The Consideration Shares

Issue Price

The Consideration Shares will be issued at the issue price of HK\$0.7 per Consideration Share, which represents:

- (i) the closing price of HK\$0.7 per Share as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 4.17% over the average closing price of approximately HK\$0.672 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a premium of 5.74% over the average closing price of approximately HK\$0.662 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement.

Number of Consideration Shares

The Consideration Shares represent (i) approximately 9.35% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion).

Ranking

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue.

General Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares. The maximum number of Shares that can be issued under the General Mandate is 23,219,098 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of the Consideration Shares.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Promissory Note

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are set out below:

| | |
|-------------------------|---|
| Issuer | The Company |
| Principal amount | HK\$13,600,000 |
| Interests | <p>The Promissory Note shall carry interest at the interest rate of 5% per annum from the date of the issue of the Promissory Note and calculated on the basis of the actual number of days elapsed and a 365-day year.</p> <p>Interest shall be paid annually in arrears on 31 December of each year after the date of issue of the Promissory Note.</p> |
| Maturity | The date falling 3 years from the date of issuance of the Promissory Note whereby any outstanding principal amount of the Promissory Note and accrued but unpaid interest shall be redeemed and repaid in full. |
| Early redemption | The Company may redeem all or part of the Promissory Note at any time prior to its maturity together with payment of all interest accrued on the principal amount thereby redeemed but unpaid, by giving the Vendor not less than ten Business Days' prior written notice, provided that the principal amount redeemed by each written notice will not be less than HK\$1,000,000 (or the entire balance of the principal amount if such balance is less than HK\$1,000,000). |
| Security | The Promissory Note is unsecured. |
| Transferability | The Promissory Note is not transferrable by the Vendor unless prior written consent has been obtained from the Company. |

Conditions precedent

Pursuant to the Sales and Purchase Agreement, the Completion is conditional upon the following conditions being fulfilled:

- (1) each of the representations, warranties, and undertakings of the Vendor in the Sales and Purchase Agreement shall be true, accurate, and not misleading in all material respects from the date of the Sales and Purchase Agreement to the date of the Completion;

- (2) the Company has completed legal due diligence on the Ziyu Materials and is satisfied with the results;
- (3) from the date of the Sales and Purchase Agreement to the date of the Completion, there has been no material adverse change in the business or financial condition of the Target Group in the reasonable opinion of the Company;
- (4) the Company has obtained approval from the Stock Exchange for the listing and trading of the Consideration Shares, and such approval will not be subsequently revoked prior to the issue and allotment of the Consideration Shares; and
- (5) all necessary consents, approvals, licenses, and authorisations for the sale and transfer of the entire equity interest in Elite Holdings International and the assignment of the Shareholder's Loan, including but not limited to board resolutions, and approval from the Stock Exchange or other relevant regulatory authorities (if applicable).

Save for (4) above, the Company may waive any or all conditions precedent above by written notice to the Vendor. If any of the above conditions precedent have not been fulfilled or waived within 150 days from the date of the Sales and Purchase Agreement, the Company shall not be obliged to complete the transactions under the Sales and Purchase Agreement and shall be entitled to terminate the Sales and Purchase Agreement by written notice to the Vendor.

Completion

According to the Sales and Purchase Agreement, the Completion shall take place within 30 days from the date when all conditions precedent is fulfilled.

Upon the Completion, Elite Holdings International will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Elite Holdings International will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE TARGET GROUP

Elite Holdings International is a company established in the British Virgin Islands with limited liability on 14 March 2024. It is an investment holding company. As at the date of this announcement, it is wholly-owned by the Vendor.

Elite Holdings Group is a company established in Hong Kong with limited liability on 7 February 2024. It is an investment holding company. As at the date of this announcement, it is wholly-owned by Elite Holdings International.

Shenyouda Property is a company established in the PRC with limited liability on 11 March 2024. It is principally engaged in property management in the PRC. As at the date of this announcement, it is wholly-owned by Elite Holdings Group.

Ziyu Materials is a company established in the PRC with limited liability on 25 August 2000. It is principally engaged in property investment in the PRC and its sole material asset is a 9-floor building with total gross floor area of approximately 15,139 square meters, consisting of 129 guest rooms located in Shanxi Province, which is expected to be operated as a hotel commencing from July 2024. As at the date of this announcement, it is wholly-owned by Shenyouda Property.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Elite Holdings International and its ultimate beneficial owner are Independent Third Parties. As at the date of this announcement, the shareholding structure of the Target Group is as follows:



Upon the Completion, the shareholding structure of the Target Group will be as follows:



For the purpose of this announcement, assuming the Target Group had been formed since 1 January 2022, the unaudited combined financial information of the Target Group prepared in accordance with generally accepted accounting principles in the PRC for the two years ended 31 December 2023 is set out below:

| | For the year ended 31 December 2023 (unaudited) <i>RMB'000</i> | For the year ended 31 December 2022 (unaudited) <i>RMB'000</i> |
|-----------------------------------|---|---|
| Revenue | – | – |
| Net profit/(loss) before taxation | 290 | (74) |
| Net profit/(loss) after taxation | 290 | (74) |

The unaudited net liability of the Target Group as at 31 May 2024 was approximately RMB44,000, including the Shareholder's Loan of approximately RMB25,000,000.

INFORMATION ON THE VENDOR

The Vendor is Mr. Chu Yuk Shun Joseph, a Hong Kong businessman who has been in the investment industry for over 30 years and the sole shareholder of Elite Holdings International as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 232,190,982 Shares in issue. The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately upon the Completion and the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion):

| Shareholder | As at the date of this announcement | | Immediately upon the allotment and issue of the Consideration Shares | |
|--|--|------------------|--|------------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| China Clean Energy Technology Limited (Note) | 24,941,589 | 10.74 | 24,941,589 | 9.82 |
| Yu Qingrui | 133,511 | 0.06 | 133,511 | 0.05 |
| Vendor | – | – | 21,700,000 | 8.55 |
| Other Shareholders | <u>207,115,882</u> | <u>89.20</u> | <u>207,115,882</u> | <u>81.58</u> |
| Total | <u>232,190,982</u> | <u>100</u> | <u>253,890,982</u> | <u>100</u> |

Note: China Clean Energy Technology Limited is wholly owned by Mr. Lai Long Wai, an executive Director and Mr. Lai Long Wai is deemed to have interests in the Shares held by China Clean Energy Technology Limited.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in (i) property investment; (ii) provision of financing services; (iii) securities trading and investment; (iv) securities brokerage business; and (v) hotel management and operation business.

In light of the favourable prospect of the Chinese hotel industry, accompanied by incentive policies fostering tourism by the government in the PRC, the Group has strategically diversified its principal business activities by venturing into hotel management and operation business.

Considering that the Target Group possesses a 9-floor building in Shanxi Province which is expected to be operated as a hotel commencing from July 2024, the Directors are of the view that the Acquisition represents a suitable business opportunity to expand the portfolio of its new hotel management and operation business. In addition, the Directors are of the view that the Group can potentially reap the benefits from the long-term potential appreciation of the property held by the Target Group.

In view of the above, the Directors are of the view that the Sales and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios of the Acquisition, on an aggregate basis, are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Completion is conditional upon the satisfaction or, if applicable, waiver of the respective conditions precedent set out in the Sales and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

| | |
|--------------------------------|---|
| “Acquisition” | the acquisition of the entire equity interest in Elite Holdings International and the assignment of the Shareholder’s Loan under the Sales and Purchase Agreement |
| “Board” | the board of directors of the Company |
| “Business Day(s)” | any day except Saturday, Sunday and statutory holiday(s) in Hong Kong, on which a bank in Hong Kong is open to the public during its normal business hours |
| “Company” | Future World Holdings Limited (未來世界控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on Main Board of the Stock Exchange (stock code: 572) |
| “Completion” | completion of the Sales and Purchase Agreement |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Consideration Shares” | the 21,700,000 new Shares to be allotted and issued to the Vendor, subject to the terms and conditions under the Sale and Purchase Agreement, at the issue price of HK\$0.7 per Consideration Share credited as fully paid to satisfy part of the consideration |
| “Director(s)” | the director(s) of the Company |
| “Elite Holdings Group” | Elite Holdings Group Limited (優達控股集團有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Elite Holdings International as at the date of this announcement |
| “Elite Holdings International” | Elite Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Vendor as at the date of this announcement |

| | |
|--------------------------------|---|
| “General Mandate” | the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 30 June 2023 to allot and issue up to 23,219,098 Shares, representing 20% of the then total number of Shares on the date of passing such resolution |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” or “China” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Promissory Note” | the promissory note in the principal amount of HK\$13,600,000 to be issued by the Company in favour of the Vendor to settle part of the Consideration |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sales and Purchase Agreement” | the sales and purchase agreement entered into between the Company and the Vendor on 26 June 2024 in respect of the acquisition of the entire equity interest in Elite Holdings International and the assignment of the Shareholder’s Loan |
| “Share(s)” | ordinary share(s) in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shareholder’s Loan” | the full shareholder’s loan provided by the Vendor to Ziyu Materials in the carrying amount of RMB25,000,001 as at the date of the Sales and Purchase Agreement |

| | |
|----------------------|--|
| “Shenyouda Property” | Shenyouda Property Management (Shenzhen) Limited Company* (深優達物業管理(深圳)有限公司), which is wholly-owned by Elite Holdings Group as at the date of this announcement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Group” | Elite Holdings International and its subsidiaries |
| “Valuer” | Masterpiece Valuation Advisory Limited (睿力評估諮詢有限公司), an Independent Third Party engaged by the Company for the purpose of appraisal of the value of the Target Group |
| “Vendor” | Mr. Chu Yuk Shun Joseph (朱煜信) |
| “Ziyu Materials” | Changzhi City Ziyu Materials Company Limited* (長治市紫裕物資有限公司), which is wholly-owned by Shenyouda Property as at the date of this announcement |
| “%” | per cent |

For ease of reference and unless otherwise specified in this announcement, sums in RMB in this announcement have been translated, for the purpose of illustration only, into HK\$ on the basis of RMB0.93 = HK\$1.0. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

By Order of the Board
Future World Holdings Limited
Liang Jian
Chairman and Chief Executive Officer

Hong Kong, 26 June 2024

As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Liang Jian, Mr. Yu Zhenzhong, Ms. Wang Qian, Mr. Yu Qingrui, Mr. Su Wei and Mr. Lai Long Wai; and (ii) three independent non-executive Directors, namely Mr. He Yi, Mr. Guo Yaoli and Mr. Bong Chin Chung.

* For identification purpose only