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ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

CONNECTED TRANSACTION DEED OF AMENDMENT IN RELATION TO THE OPERATING LOAN AGREEMENT

On 3 October 2024 (after trading hours of the Stock Exchange), BCL and BCFC (as borrowers) have entered into the Deed of Amendment with SCL (as original lender), among others, pursuant to which the parties thereto have agreed to amend the terms of the Operating Loan Agreement with effect from (and including) the Effective Date to increase the Operating Loan Facility from an aggregate principal amount of GBP50.0 million (equivalent to approximately HK\$510.0 million) to GBP100.0 million (equivalent to approximately HK\$1,020.0 million).

As at the date of this announcement, BCL is owned as to approximately 51.72% by the Company, approximately 45.98% by SCL and approximately 2.30% by other shareholders. Accordingly, SCL is a connected person of the Company at the subsidiary level under the Listing Rules, and the Deed of Amendment and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since (i) the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms or better; (ii) SCL is a connected person of the Company at the subsidiary level under the Listing Rules; (iii) the Deed of Amendment and the transactions contemplated thereunder have been approved by the Board; and (iv) the independent non-executive Directors have confirmed that the terms of the Deed of Amendment and the transactions contemplated thereunder are fair and reasonable, and the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Deed of Amendment and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

References are made to the announcements of the Company dated 9 May 2023 and 30 May 2023, respectively, and the circular of the Company dated 27 June 2023 in relation to, among other things, the Operating Loan Agreement.

The Operating Loan Facility in an aggregate principal amount (excluding any amount capitalised as principal amount pursuant to the terms of the Operating Loan Agreement) of GBP50.0 million (equivalent to approximately HK\$510.0 million) had been (i) utilised in an aggregate principal amount of approximately GBP48.1 million (equivalent to approximately HK\$490.6 million) as at 30 June 2024; and (ii) fully utilised as at the date of this announcement.

On 3 October 2024 (after trading hours of the Stock Exchange), BCL and BCFC (as borrowers) have entered into the Deed of Amendment with SCL (as original lender), among others, pursuant to which the parties thereto have agreed to amend the terms of the Operating Loan Agreement with effect from (and including) the Effective Date to increase the Operating Loan Facility from an aggregate principal amount of GBP50.0 million (equivalent to approximately HK\$510.0 million) to GBP100.0 million (equivalent to approximately HK\$1,020.0 million).

DEED OF AMENDMENT

Principal terms of the Deed of Amendment are set out below:

Date: 3 October 2024

Parties: (i) BCL and BCFC, as borrowers;

(ii) BCL, BCFC and BCWFC, as guarantors;

(iii) SCL, as original lender; and

(iv) the Agent as agent and the Security Agent as security agent.

Amendment: With effect from (and including) the Effective Date, the Operating Loan Agreement shall be amended to increase the Operating Loan Facility from an aggregate principal amount of GBP50.0 million (equivalent to approximately HK\$510.0 million) to GBP100.0 million (equivalent to approximately HK\$1,020.0 million).

Effective Date: 3 October 2024

Except as varied or supplemented by the terms of the Deed of Amendment, the Deed of Acknowledgement, the Supplemental Company Charge or, as the case may be, the Supplemental BCL Charge, each of the Operating Loan Agreement, the other existing Finance Documents, the Escrow Agreement, the Company Loan Agreement and the Uncommitted Facility Letter will remain in full force and effect.

SUPPLEMENTAL COMPANY CHARGE

The Company and the Security Agent have entered into the Supplemental Company Charge on the Effective Date, pursuant to which the Company has (i) confirmed that any security created by the Company under the Company Charge secures; and (ii) recreated security over the same assets as the security created under the Company Charge to secure, in each case, the payment, discharge and performance of all present and future money, obligations or liabilities due, owing or incurred by any Obligor to any secured party under the Finance Documents, subject to certain limitations on the recourse to the Company specified therein.

SUPPLEMENTAL BCL CHARGE

BCL and the Security Agent have entered into the Supplemental BCL Charge on the Effective Date, pursuant to which BCL has (i) confirmed that any security created by BCL under the BCL Charge secures; and (ii) recreated security over the same assets as the security created under the BCL Charge to secure, in each case the payment, discharge and performance of all present and future money, obligations or liabilities due, owing or incurred by any Obligor to any secured party under the Finance Documents.

DEED OF ACKNOWLEDGEMENT

BCL, BCFC, BCWFC, the Company, SCL, the Agent and the Security Agent have entered into the Deed of Acknowledgement on the Effective Date, pursuant to which the parties thereto acknowledge and agree that the Escrow Agreement and the Uncommitted Facility Letter shall be amended in connection with the Deed of Amendment to refer to the Operating Loan Agreement as amended, novated, supplemented, extended or restated from time to time.

SHAREHOLDERS' AGREEMENT AMENDMENT DEED

The Company, SCL, BCL and BCFC have entered into the Shareholders' Agreement Amendment Deed on the Effective Date, pursuant to which the parties thereto agree that the Shareholders' Agreement shall be amended principally to provide for the Deed of Amendment, the Supplemental Company Charge and the Supplemental BCL Charge.

INFORMATION ON THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands with limited liability and, as at the date of this announcement, the Group is principally engaged in, among others, the operation of a professional football club in the UK and other related business, new energy automobiles and related business and investment in properties.

BCL

BCL is a private limited liability company incorporated in England and Wales and, as at the date of this announcement, is owned as to approximately 51.72% by the Company, approximately 45.98% by SCL and approximately 2.30% by other shareholders. BCL is principally engaged in the operation and management of BCFC.

BCFC

BCFC is a private limited liability company incorporated in England and Wales and a wholly-owned subsidiary of BCL. BCFC is principally engaged in the operation of a professional football club in the UK.

BCWFC

BCWFC is a private limited liability company incorporated in England and Wales and a wholly-owned subsidiary of BCFC. BCWFC is principally engaged in the operation of a professional football club in the UK.

SCL

SCL is a company incorporated in England and Wales with limited liability. As at the date of this announcement, SCL is owned as to approximately 64% by Knighthead Annuity & Life Assurance Company (“KHAL”), an exempted company incorporated in the Cayman Islands, and approximately 25% by Knighthead Master Fund, L.P. (“KMF”) an exempted limited partnership formed under the Exempted Limited Partnership Law of the Cayman Islands. Each of KHAL and KMF is managed and/or advised by Knighthead Capital Management, LLC (“Knighthead Capital”), an investment adviser registered with the United States Securities and Exchange Commission. To the best of the knowledge, information and belief of the Company having made all reasonable enquires and as confirmed by SCL, as at the date of this announcement, SCL is ultimately and beneficially owned by more than 40 individuals and institutional investors and none of the individual investors is ultimately and beneficially interested in 10% or more of SCL. SCL has advised the Company that the reduction in the ultimate beneficial interest in SCL held by Thomas A. Wagner (co-founder and co-managing member of Knighthead Capital) from that set out in the announcement of the Company dated 26 January 2024 in relation to the stadium naming rights agreement results from increases in capital raises from SCL’s and KHAL’s investors. SCL is principally engaged in investment holding.

The Agent and the Security Agent

The Agent (which is also the Security Agent) is a Delaware limited liability company. To the best of the knowledge, information and belief of the Company having made all reasonable enquires and as confirmed by the Agent, as at the date of this announcement, the Agent is ultimately and beneficially owned as to approximately 40.38% by Thomas A. Wagner and the entities controlled by him, and as to approximately 40.38% by Ara D. Cohen and the entities controlled by him. Mr. Cohen is another co-founder and co-managing member of Knighthead Capital. In addition, Petershill Partners plc, a company listed on the London Stock Exchange (LON: PHLL), as at the date of this announcement, holds approximately 19.24% of the shares of the Agent. The principal business activities of the Agent are to service mortgage loans and other debt instruments and to hold security and other interests on behalf of other parties.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The terms of the increase in the Operating Loan Facility from an aggregate principal amount of GBP50.0 million (equivalent to approximately HK\$510.0 million) to GBP100.0 million (equivalent to approximately HK\$1,020.0 million) with effect from (and including) the Effective Date pursuant to the Operating Loan Agreement as amended by the Deed of Amendment were determined after arm's length negotiations between the Company and SCL taking into account the prevailing market interest rates and the viability to obtain external third parties financing. The increase in the Operating Loan Facility in an aggregate principal amount of GBP50.0 million will be provided by SCL on the same terms (including interest rate) as the existing Operating Loan Facility. Apart from the Supplemental Company Charge and the Supplemental BCL Charge, which recreate securities already in place for the existing Operating Loan Facility, the Group is not required to provide additional collateral and other securities.

As disclosed in the final results announcement of the Company for the year ended 30 June 2024, the Group recorded a loss attributable to owners of the Company of approximately HK\$182.8 million for the year ended 30 June 2024, representing an increase of approximately 612.4% as compared to the loss of approximately HK\$25.7 million for the last year. Although the football club segment of the Group recorded a revenue of approximately HK\$239.8 million for the year ended 30 June 2024, representing an increase of approximately 28.5% over the last year, a segment loss of approximately HK\$283.3 million was incurred. Following a finish at the 22nd position in the EFL Championship Division in the season 2023/24, the Club was relegated to the EFL League One Division in the season 2024/25. In light of the relegation, the Group expects there will be a decrease in the Club's revenue in the season 2024/25. With a view to securing a promotion back to the EFL Championship, significant investment has been made by the Club to rebuild its squad. Investment has also been made to improve the infrastructure of the Stadium ahead of the 2024/25 season.

For the year ended 30 June 2024, BCL Group mainly financed its operations with internally generated cash flows and funding provided by shareholders, including SCL pursuant to the Operating Loan Facility in an aggregate principal amount of GBP50.0 million (equivalent to approximately HK\$510.0 million). The Operating Loan Facility (excluding any amount capitalised as principal amount pursuant to the terms of the Operating Loan Agreement) had been (i) utilised in an aggregate principal amount of approximately GBP48.1 million (equivalent to approximately HK\$490.6 million) as at 30 June 2024; and (ii) fully utilised as at the date of this announcement. BCL Group therefore needs to seek for additional external funding to finance its operational cost and expenses.

The Company has considered other financing alternatives, such as non-equity related debt financing and equity related financing methods, to meet the financial requirements for the operation of BCL and BCFC, taking into account the recent financial position and capital structure of the Company as well as the prevailing market condition. The Company considers that pure debt financing with external financial institutions is less suitable as compared to debt financing funding provided by SCL as shareholder of BCL since it will create additional interest paying obligations on the Group to external financial institutions. Borrowing from external financial institutions will also be subject to lengthy due diligence and negotiations as compared to debt financing funding provided by an existing shareholder. Moreover, as the Group recorded loss for the year ended 30 June 2024, it will be difficult for the Company to obtain external borrowings with favourable terms and may require the Company to provide additional collateral and other securities for the external borrowings.

In respect of equity related financing methods such as rights issue, open offer or issue of new Shares, the Company considers that lengthy discussion with potential investors and/or underwriters may be involved in order to assure the ultimate fund-raising size under rights issue or open offer and may incur additional transaction costs such as underwriting commission, which may not be beneficial to the Company and the Shareholders as a whole.

Having considered the foregoing, the Directors are of the view that although the entering into of the Deed of Amendment and the transactions contemplated thereunder are not in the ordinary course of business of the Group, (i) the terms of the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable so far as the Shareholders are concerned; and (ii) the Deed of Amendment and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BCL is owned as to approximately 51.72% by the Company, approximately 45.98% by SCL and approximately 2.30% by other shareholders. Accordingly, SCL is a connected person of the Company at the subsidiary level under the Listing Rules, and the Deed of Amendment and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since (i) the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms or better; (ii) SCL is a connected person of the Company at the subsidiary level under the Listing Rules; (iii) the Deed of Amendment and the transactions contemplated thereunder have been approved by the Board; and (iv) the independent non-executive Directors have confirmed that the terms of the Deed of Amendment and the transactions contemplated thereunder are fair and reasonable, and the Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Deed of Amendment and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Agent” or the “Security Agent”	KHR Servicing, LLC, which is more particularly described in the section headed “Information on the Parties – The Agent and the Security Agent” of this announcement
“BCFC” or “Club”	Birmingham City Football Club Limited, which is more particularly described in the section headed “Information on the Parties - BCFC” of this announcement
“BCL”	Birmingham City Limited, which is more particularly described in the section headed “Information on the Parties - BCL” of this announcement
“BCL Charge”	the share charge and security deed dated 13 July 2023 entered into between BCL and the Security Agent
“BCL Group”	collectively, BCL and its subsidiaries
“BCWFC”	Birmingham City Women Football Club Limited, which is more particularly described in the section headed “Information on the Parties - BCWFC” of this announcement
“Board”	board of Directors
“Company”	ZO Future Group (大象未來集團) (stock code: 2309), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Company Charge”	the share charge and security deed dated 13 July 2023 entered into between the Company and the Security Agent
“Company Loan Agreement”	the loan agreement dated 13 July 2023 entered into between, among others, the Company, BCL and BCFC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Deed of Acknowledgement”	the deed of acknowledgement entered into between BCL, BCFC, BCWFC, the Company, SCL, the Agent and the Security Agent on the Effective Date
“Deed of Amendment”	the deed of amendment in relation to the Operating Loan Agreement dated 3 October 2024 entered into between BCL and BCFC (as borrowers) and SCL (as original lender), among others, which is more particularly described in the section headed “Deed of Amendment” of this announcement
“Director(s)”	the director(s) of the Company
“Effective Date”	3 October 2024, being the effective date of the amendments to the Operating Loan Agreement pursuant to the Deed of Amendment
“EFL”	the English Football League, the national governing body for the second and third tier English professional football league currently named “English Football League Championship” and “English Football League One”, respectively, and any successor or replacement body from time to time
“Escrow Agreement”	the escrow agreement dated 13 July 2023 entered into between SCL, the Agent, BCL, BCFC and the Company
“Finance Documents”	collectively, the Operating Loan Agreement (as amended by the Deed of Amendment) and the other finance documents referred to therein (including, without limitation, the Deed of Amendment, the Company Charge, the Supplemental Company Charge, the BCL Charge, the Supplemental BCL Charge, and the Subordination Deed);
“GBP”	Pounds Sterling, the lawful currency of the UK
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Obligor(s)”	BCL, BCFC and BCWFC
“Operating Loan Agreement”	the Operating Loan Agreement dated 13 July 2023 entered into between, amongst others, SCL (as the original lender) and BCL
“Operating Loan Facility”	the loan facility made available by the lenders under the Operating Loan Agreement to BCL or BCFC (as the case may be) pursuant to the Operating Loan Agreement
“SCL”	Shelby Companies Limited, which is more particularly described in the section headed “Information on the Parties – SCL” of this announcement

“Share(s)”	ordinary shares of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement in relation to BCL dated 13 July 2023 entered into between the Company, SCL, BCL and BCFC
“Shareholders’ Agreement Amendment Deed”	the deed of amendment in relation to the Shareholders’ Agreement entered into between the Company, SCL, BCL and BCFC on the Effective Date
“Subordination Deed”	the subordination deed dated 13 July 2023 entered into between, among others, BCL and BCFC as borrowers, the Company and SCL as subordinated creditors, the Agent and the Security Agent
“Supplemental BCL Charge”	the supplemental share charge and security deed in relation to the BCL Charge entered into between BCL and the Security Agent on the Effective Date
“Supplemental Company Charge”	the supplemental share charge and security deed in relation to the Company Charge entered into between the Company and the Security Agent on the Effective Date
“Stadium”	the land and buildings known as St. Andrew’s @ Knighthood Park, Cattell Road, Birmingham, United Kingdom B9 4NH
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Uncommitted Facility Letter”	the letter dated 13 July 2023 between BCL, the Company and SCL setting out the terms and conditions on which the Company may lend moneys to BCL during the period specified therein
“%”	per cent

By Order of the Board
ZO Future Group
Zhao Wenqing
Chairman

Hong Kong, 3 October 2024

For illustration purpose only, conversion of GBP into HK\$ in this announcement is based on the exchange rate of GBP1.0 to HK\$10.2.

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Zhao Wenqing (Chairman), Mr. Huang Dongfeng (Chief Executive Officer), Mr. Yiu Chun Kong, and Dr. Guo Honglin as Executive Directors; Mr. Sue Ka Lok as Non-executive Director; and Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Yeung Chi Tat as Independent Non-executive Directors.