
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ZO Future Group, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the licensed securities dealer, or to the bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO
THE LEASE OF PROPERTIES IN CAMBODIA
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Silver Nile Global Investments Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular, unless the context otherwise requires.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 32 of this circular.

A notice convening the EGM to be held by way of electronic means on Friday, 28 June 2024 at 4:00 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

No corporate gift will be distributed for the EGM.

This circular will remain on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zogroup.com.hk).

7 June 2024

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DEFINITIONS

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

“Amended Lease Agreement”	the Master Lease Agreement as amended by the Supplemental Agreement
“Annual Caps”	the proposed annual caps for the transactions contemplated under the Side Letter for the three years ending 30 June 2027
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Block”	the properties owned by the Group, which are located within and form part of One Park and comprised of (i) portion of the 2-storey commercial podium adjacent to the main building of the condominium with saleable area of approximately 6,247.34 sq.m.; and (ii) Block C of One Park with total saleable area of approximately 8,148.79 sq.m.
“Board”	the board of Directors
“Building”	the building in One Park owned by the Group with gross floor area of approximately 5,674.59 sq.m. for commercial use
“Cambodia”	the Kingdom of Cambodia
“Celestial Fame”	Celestial Fame Investments Limited, which is more particularly described in the section headed “Letter from the Board – Information on the parties – Celestial Fame” of this circular
“Company”	ZO Future Group (stock code: 2309), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held by way of electronic means on Friday, 28 June 2024 at 4:00 p.m. or any adjournment thereof for considering, and if thought fit, approving the resolution(s) as set out in the EGM Notice
“EGM Notice”	the notice convening the EGM which is set out on pages EGM-1 to EGM-2 of this circular

DEFINITIONS

“Ever Depot”	Ever Depot Limited, which is more particularly described in the section headed “Letter from the Board – Information on the parties – Ever Depot” of this circular
“Fair Rent Letter”	a letter of fair rent opinion with respect to the Properties dated 26 April 2024 issued by the Independent Valuer
“GRED”	Graticity Real Estate Development Co., Ltd., a limited company incorporated in Cambodia wholly-owned by Mr. Vong Pech, and is engaged in property development
“Group”	the Company and its subsidiaries from time to time
“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
“Independent Board Committee”	the independent committee of the Board comprising all Independent Non-executive Directors formed to advise the Independent Shareholders on the Side Letter and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Silver Nile Global”	Silver Nile Global Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Side Letter and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	the Shareholder(s), other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Side Letter and the transactions contemplated thereunder
“Independent Valuer”	JP Assets Consultancy Limited, an independent valuer appointed by the Group
“Latest Practicable Date”	4 June 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	31 July 2024 (or such other date as Celestial Fame and Ever Depot may agree in writing)
“Master Lease Agreement”	the master lease agreement dated 28 August 2018 entered into between Celestial Fame and Ever Depot, details of which are disclosed in the circular of the Company dated 20 November 2018
“One Park”	a property development project in Cambodia developed by GRED, details of which are disclosed in the circular of the Company dated 31 October 2017
“Properties”	collectively, the Building and the Block
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Side Letter”	the side letter dated 26 April 2024 entered into between Celestial Fame and Ever Depot, which is more particularly described in the section headed “Letter from the Board – The Side Letter” of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 21 April 2021 entered into between Celestial Fame and Ever Depot, details of which are disclosed in the circular of the Company dated 28 May 2021
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent
“sq.m.”	square meter

For illustration purposes, amounts in US\$ in this circular have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80.

In the event of any inconsistency, the English text of this circular, the EGM Notice and the accompanying form of proxy shall prevail over the Chinese text.

LETTER FROM THE BOARD



ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

Executive Directors:

Mr. Zhao Wenqing (*Chairman*)
Mr. Huang Dongfeng (*Chief Executive Officer*)
Mr. Yiu Chun Kong
Dr. Guo Honglin

Non-executive Director:

Mr. Sue Ka Lok

Independent Non-executive Directors:

Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine
Mr. Yeung Chi Tat

Registered office:

4th Floor, Harbour Place
103 South Church Street
George Town, P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal place of business in

Hong Kong:

31/F., Vertical Sq
No. 28 Heung Yip Road
Wong Chuk Hang
Hong Kong

7 June 2024

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO
THE LEASE OF PROPERTIES IN CAMBODIA
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 28 August 2018, 21 April 2021 and 26 April 2024 and the circulars of the Company dated 20 November 2018 and 28 May 2021 in relation to, among others, the continuing connected transactions contemplated under the Master Lease Agreement, the Supplemental Agreement and the Side Letter.

On 28 August 2018, Celestial Fame entered into the Master Lease Agreement with Ever Depot, pursuant to which Celestial Fame agreed to lease (or procure the lease of) the Properties to Ever Depot for a term of three years.

LETTER FROM THE BOARD

On 21 April 2021, Celestial Fame entered into the Supplemental Agreement with Ever Depot, pursuant to which Celestial Fame and Ever Depot agreed to, among others, renew the Master Lease Agreement for a term of three years commencing from 1 July 2021.

On 26 April 2024, the Board announced that Celestial Fame (an indirect wholly-owned subsidiary of the Company) entered into the Side Letter with Ever Depot (a substantial shareholder), pursuant to which Celestial Fame and Ever Depot conditionally agreed to, among others, renew the Amended Lease Agreement for a term of three years commencing from 1 July 2024.

The purpose of this circular is to provide you with, among other thing, (i) a letter from the Board containing further details of the Side Letter and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the EGM Notice.

THE SIDE LETTER

The principal terms of the Side Letter are set forth below:

- Date : 26 April 2024
- Parties : (1) Celestial Fame as lessor; and
(2) Ever Depot as lessee.
- Subject matter : Celestial Fame has conditionally agreed to lease, or procure the lease of, the Properties to Ever Depot.
- Term : Three (3) years commencing from 1 July 2024, which term may be further renewed by agreement of Celestial Fame and Ever Depot.
- Conditions precedent : The obligations of Celestial Fame and Ever Depot to perform their respective obligations under the Side Letter shall be subject to and conditional upon:
- (1) the passing of the resolution(s) by the Independent Shareholders in the EGM approving the Side Letter and the transactions contemplated thereunder; and
 - (2) all necessary consents, approvals and authorisations having been obtained from all relevant authorities in any applicable jurisdiction in connection with the transactions contemplated under the Side Letter and the implementation of the transactions contemplated thereunder and all other matters incidental thereto.

LETTER FROM THE BOARD

In the event any of the above conditions precedent shall not be fulfilled by 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Side Letter shall be null and void and of no further effect and no party shall have any further liability to any other parties under or in connection with the Side Letter without prejudice to the rights of any such parties in respect of any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions precedent had been satisfied.

Save as the above, other terms and conditions of the Amended Lease Agreement, including but not limited to the rent for the Properties, shall remain in full force and effect. The rent for the Properties shall remain as follows:

Rent : US\$15 per sq.m. per month, totalling a monthly rent of US\$85,118.85 for the Building and US\$215,941.95 for the Block, respectively. Accordingly, the total rent for each of the Building and the Block equals to approximately US\$1,022,000 (equivalent to approximately HK\$7,972,000) per annum and approximately US\$2,591,000 (equivalent to approximately HK\$20,210,000) per annum, respectively.

The overall rent for the Properties was arrived at after arm's length negotiations between the parties under normal commercial terms in the ordinary course of business, and with reference to the existing rent under the Amended Lease Agreement and the market rent as determined by the Independent Valuer having regarded to the prevailing market rents for similar premises in similar locations in Cambodia.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

The existing annual caps under the Amended Lease Agreement, the historical transaction amounts under the Amended Lease Agreement for the years ended 30 June 2022 and 2023 and the expected amount received and receivable for the year ending 30 June 2024 are set out below:

	For the year ended 30 June		For the year ending
	2022	2023	30 June
	US\$	US\$	2024
			US\$
Existing annual caps	3,613,000	3,613,000	3,613,000
Annual rent received or receivable	3,613,000	3,613,000	3,613,000

LETTER FROM THE BOARD

The Group has closely monitored the transaction amounts under the Amended Lease Agreement, which did not exceed the historical annual caps for each of the two years ended 30 June 2023. As at the Latest Practicable Date, the annual cap for the transactions under the Amended Lease Agreement for the year ending 30 June 2024 has not been and is not expected to be exceeded

The Annual Caps for the continuing connected transactions contemplated under the Side Letter for the years ending 30 June 2025, 2026 and 2027 are as follows:

	For the year ending 30 June		
	2025	2026	2027
	US\$	US\$	US\$
Annual Caps	3,613,000	3,613,000	3,613,000

The Annual Caps are determined with reference to the above historical transaction amounts and the current market rents.

INTERNAL CONTROL MEASURES FOR THE SIDE LETTER

The Group will adhere to the following internal control measures in respect of the transactions contemplated under the Side Letter:

- (i) the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the Annual Caps will not be exceeded;
- (ii) reports which contain total transaction amount under the Side Letter will be submitted to the management of the Group on a monthly basis; and
- (iii) the Independent Non-executive Directors and the auditors of the Company will conduct annual review of the transactions contemplated under the Side Letter.

INFORMATION ON THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands with limited liability and engaged in investment holding. The Group is principally engaged in, among others, the operation of a professional football club in the United Kingdom and other related business, new energy automobiles and related business and investment in properties.

Celestial Fame

Celestial Fame is a limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. Celestial Fame is principally engaged in properties investment.

LETTER FROM THE BOARD

Ever Depot

Ever Depot is a limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of GRED, which is a limited company incorporated in Cambodia, engaged in property development and wholly-owned by Mr. Vong Pech as at the Latest Practicable Date. Ever Depot is principally engaged in investment holding.

As at the Latest Practicable Date, Ever Depot is a substantial shareholder interested in approximately 24.95% of the issued Shares and is a connected person of the Company under the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As the Side Letter is being entered into in the ordinary and usual course of business of the Group, the Company believes that it will benefit from the transactions contemplated under the Side Letter due to the following reasons: (i) the Group will earn a stable stream of rental incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the Properties will be borne by Ever Depot, the lessee. The Board is given to understand that, as at the Latest Practicable Date, the Building was being operated as an international school providing elementary, primary and secondary education, while the Block was being operated as a service hotel providing apartment services.

The Independent Valuer has provided the Group with opinions on the current rental of the Properties based on market rental information of comparable properties.

The Independent Valuer assessed the market rent (defined as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease term in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion) of the Properties as at 15 April 2024 and issued the Fair Rent Letter on 26 April 2024.

Market approach has been adopted by the Independent Valuer to assess the fair rent of the Properties. Market approach is based on the principle of substitution, where comparison is made based on asking rent of comparable properties. Comparable properties (the "comparables") of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market rent. As informed by the Independent Valuer, since it has not identified a database which records any actual transacted rent of rental transactions in the locality of the Properties, and that market transacted rent is not available in the market, adopting market asking rental comparables to assess the market rent is generally acceptable and widely used. As advised by the Independent Valuer, market approach was considered as an appropriate approach in assessing the rent of the Properties given the availability of sufficient number of samples in the similar locality for making a meaningful comparison according to the general industry practice, which is considered to be the best indicator of the fair rent of the Properties.

LETTER FROM THE BOARD

In undertaking the valuation of the Properties, the Independent Valuer made reference to various market comparables based on the following criteria: (i) the comparables are located in the vicinity of the Properties; (ii) the comparables are of similar usage as the Properties; and (iii) the comparables were offered as recent as possible. Due adjustments to the unit rates of the comparables have been made to reflect factors including but not limited to size, scale, nature, character, and location and time.

The unit rate of the Properties was determined with reference to the adjusted unit rates of the comparables, which have been adjusted by reference to the locational and physical attributes.

Location of development	Usage	Offering date	Size <i>(sq.m.)</i>	Unit rental <i>(per sq.m. per month)</i>
One Park Srah Chak, Phnom Penh	Residential	1st Quarter, 2024	98-145	US\$14-19
City Tower Toul Kork, Phnom Penh	Commercial	1st Quarter, 2024	115-215	US\$15
The Gateway Toul Kork, Phnom Penh	Commercial	1st Quarter, 2024	1,030	US\$18

The Independent Valuer is of the opinion that the rent receivable under the Side Letter is fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations in Cambodia, and that all the terms of the Side Letter are made on normal commercial terms and the duration of the lease under the Side Letter are consistent with the prevailing market.

It is noted that Independent Valuer made various assumptions for the valuation in the Fair Rent Letter, including the followings:

- (i) a willing lessor and willing lessee;
- (ii) prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of rent and lease terms and for the completion of the lease;
- (iii) the rent reflects the state of the market and other circumstances at the date of valuation;
- (iv) no account is taken of any additional bid by a prospective tenant with a special interest;
- (v) both parties to the transaction had acted knowledgeably, prudently and without compulsion; and
- (vi) the landlord leases the properties on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property interests.

LETTER FROM THE BOARD

The Fair Rent Letter was prepared by the Independent Valuer's professional team led by Ms. Peggy Y.Y. Lai, who is a registered professional surveyor with over 20 years' experience in valuation of properties in Hong Kong, United Kingdom, Canada, mainland China and the Asia Pacific Region including Cambodia. Ms. Lai is a member of The Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors as well as a member of China Institute of Real Estate Appraisers and Agents in the mainland China. The Independent Valuer confirmed that they are independent of and not connected with the Group.

The Board reviewed the valuation methodology and key assumptions adopted by the Independent Valuer; the selection criteria for the comparables; and the list of comparables identified by the Independent Valuer for the Properties. When reviewing the valuation methodology and key assumptions adopted, the Board considered (i) whether they were consistent with those valuation methodology and key assumptions adopted in the fair rental opinions of the Properties in relation to the Master Lease Agreement and the Supplemental Agreement as mentioned in the circulars of the Company dated 20 November 2018 and 28 May 2021; and (ii) the explanation of the Independent Valuer on the valuation methodology and key assumptions, how they were applied to the transactions contemplated under the Side Letter and why they were considered fair and reasonable. Based on the above, the Board concurred with the recommendation of the Independent Valuer on the current choice of valuation methodology and key assumptions and considered the same to be fair and reasonable. When reviewing the selection criteria for the comparables and the list of comparables identified the Independent Valuer for the Properties, the Board noted that the comparables were either in the same development or in the vicinity of the Properties, with the offering date falling within the first quarter of 2024, and were of residential and commercial uses in nature which were similar to that of the Properties. The Board noted that the comparables identified by the Independent Valuer were not of similar sizes to that of the Building. As informed by the Independent Valuer, there was no rental comparable of similar size in the locality of the Building at the time of collecting rental comparables. However, having discussed with the Independent Valuer, the Board has confirmed with it that downward adjustment was applied by the Independent Valuer to reflect the difference in size. Meanwhile, although the total saleable area of the Block is approximately 14,396.13 sq.m., the Block comprises of various condominiums with sizes ranging from approximately 47.71 sq.m. to approximately 322.1 sq.m., which are comparable to those identified by the Independent Valuer. Therefore, having considered the above, the Board is of the view that the comparables identified by the Independent Valuer are appropriate. To further justify the fairness and representativeness of the comparables identified by the Independent Valuer, the Group independently researched from public sources and compared the monthly rent of some properties located in the vicinity of the Properties which were of similar usage as the Properties and offered recently with the comparables identified by the Independent Valuer. It was noted that the comparables identified by the Independent Valuer were collected from the open market and that size adjustment was applied when assessing the fair rent of the Properties. The Board also noted that the adjusted market rent as assessed by the Independent Valuer aligned with the data published by publicly available real estate market review. Taking into account of such independent analysis, the Board is of the view that the comparables selected by the Independent Valuer were fair and representative for assessing the fairness and reasonableness of the transactions contemplated under the Side Letter, reflected the prevailing market rents of the Properties, and that the Fair Rent Letter was reasonably prepared without any unusual assumptions.

LETTER FROM THE BOARD

The Board acknowledged the lack of increment in rent throughout the term of the Side Letter and is of the view that such arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole after taking into account of factors such as the fair market rent as opined by the Independent Valuer, the publicly available real estate market review and the post-pandemic economic situation around the world, particularly in the Asia region including Cambodia. The Board understood from the Independent Valuer that the fair market rent of the total gross floor area of the Properties in existing state as at 15 April 2024 was approximately US\$15 per sq.m., which is in line with the renewal rent of the Properties. Further, the Board noted from the data published by CBRE Cambodia and the Board's discussion with the Independent Valuer that the average quoting rent of condominium units of similar grade as the Properties in Cambodia shown was among approximately US\$13, US\$15, and US\$13 per sq.m. in 2018, 2021 and 2024 respectively, while the average quoting rent of commercial units of similar grade as the Properties in Cambodia shown was among approximately US\$20, US\$15 and US\$15 per sq.m. in 2018, 2021 and 2024 respectively. In addition, according to the 2024 Fearless Forecast published by CBRE Cambodia, the supply for condominiums and commercial properties is expected to further increase in 2024 and 2025, which such hikes in supply have put pressure on pricing and occupancy rates, and developers and landlords are competing to sustain their profitability and competitiveness in the market. Therefore, having considered (i) the rent of the Properties is in line with the fair market rent as opined by the Independent Valuer; (ii) the rental market conditions since 2018 and the present time and the fact that the rent of the Properties has been consistent with such market conditions; and that (iii) the future outlook of the real estate market in Cambodia remains competitive and conservative due to the increasing supply and global economic uncertainty, which has been exacerbated by the ongoing political tension between the People's Republic of China and the United States of America, the Israel-Palestine conflict and the Ukraine war, as well as the cost and uncertainty in securing new tenants, the Board considered that the current rental is fair and reasonable and in the interest of the Company and the Shareholders as a whole. In view of the benefits discussed above, the Board is not aware of any material disadvantage to the Group in relation to the entering into of the Side Letter by Celestial Fame.

LETTER FROM THE BOARD

Having considered the above, the Directors consider that:

- (1) the terms and conditions of the Side Letter are fair and reasonable;
- (2) the Side Letter has been negotiated among the parties on an arm's length basis and is on normal commercial terms and in the ordinary and usual course of business of the Group;
- (3) the Annual Caps are fair and reasonable; and
- (4) the transactions contemplated under the Side Letter are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since Ever Depot, being a substantial shareholder interested in approximately 24.95% of the issued Shares as at the Latest Practicable Date, is a connected person of the Company, the transactions contemplated under the Side Letter constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps exceeds 5%, the Annual Caps and the transactions contemplated under the Side Letter are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has material interest in the Side Letter and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

GENERAL

The Independent Board Committee, comprising all the Independent Non-executive Directors has been established to advise the Independent Shareholders on the terms of the Side Letter and the transactions contemplated thereunder (including the Annual Caps), and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. The letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders as to the foregoing matters is set out on page 16 of this circular.

Silver Nile Global Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Side Letter and the transactions contemplated thereunder (including the Annual Caps). The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders as to the foregoing matters is set out on pages 17 to 32 of this circular.

LETTER FROM THE BOARD

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to be held by way of electronic means on Friday, 28 June 2024 at 4:00 p.m. at which the relevant resolution(s) will be proposed to approve the Side Letter and the transactions contemplated thereunder (including the Annual Caps).

Any Shareholder with a material interest in the proposed transactions and his/her/its close associates will abstain from voting on resolution(s) approving the Side Letter and the transactions contemplated thereunder (including the Annual Caps). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Ever Depot, which is a wholly-owned subsidiary of GRED, which in turn is wholly-owned by Mr. Vong Pech, is interested in approximately 24.95% of the issued Shares. As such, Mr. Vong Pech and his associates (including GRED and Ever Depot) will abstain from voting on the resolution(s) to be proposed at the EGM to approve the Side Letter and the transactions contemplated thereunder (including the Annual Caps). Save as disclosed herein, no other Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.

Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairperson of the EGM) for the proxy to receive the login access code to participate online in Tricor e-Meeting System. Registered Shareholders will be able to attend the EGM online to view the live broadcast, participate in voting, call to raise questions and submit questions in written form via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM online to view the live broadcast, participate in voting, call to raise questions and submit questions in written form. In this regard, they should consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) (collectively the "Intermediary") and instruct the Intermediary to appoint them as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, they will be asked to provide their email address, before the time limit required by the relevant Intermediary. Details regarding the e-Meeting System including the login details will be emailed to them by the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited.

LETTER FROM THE BOARD

If any Shareholder has any question on the arrangements of the EGM, please contact Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong, at the following:

Address : 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email : is-enquiries@hk.tricorglobal.com
Telephone : (852) 2980 1333 (From 9:00 a.m. to 5:00 p.m. Monday to Friday, excluding Hong Kong public holidays)

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024 (both days inclusive) for determining the identities of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

In order to be eligible to attend and vote at the EGM, all unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2024. Shareholders whose names are recorded in the register of members of the Company on Tuesday, 25 June 2024 are entitled to attend and vote at the EGM.

VOTING AT THE EGM

In accordance with Rule 13.39(4) of the Listing Rules, the resolution(s) proposed at the EGM will be voted on by way of poll except where the chairperson of the EGM, in good faith, decides to allow a resolution which relates purely to procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from the Independent Financial Adviser of this circular.

The Directors (including all the Independent Non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the proposed resolution(s) approving the Side Letter and the transactions contemplated thereunder (including the Annual Caps) at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
ZO Future Group
Zhao Wenqing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders:



ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

7 June 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO THE LEASE OF PROPERTIES IN CAMBODIA

We refer to the circular of the Company dated 7 June 2024 (the “Circular”) which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Side Letter and the transactions contemplated thereunder (including the Annual Caps), details of which are set out in the section headed “Letter from the Board” of the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and the principal factors and reasons the Independent Financial Adviser has taken into consideration in rendering its advice are set out in the section headed “Letter from the Independent Financial Adviser” of the Circular. Your attention is also drawn to the information set out in the Circular.

Having taken into account the terms of the Side Letter and the advice of the Independent Financial Adviser, we are of the opinion that (i) the entering into of the Side Letter is in the ordinary and usual course of business of the Group; (ii) the terms of the Side Letter are on normal commercial terms or better and which, together with the Annual Caps, are fair and reasonable; and (iii) the Side Letter and the transactions contemplated thereunder (including the Annual Caps) are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolution(s) to be proposed at the EGM to approve the Side Letter and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of the Independent Board Committee

ZO Future Group

Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Yeung Chi Tat

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Silver Nile Global Investments Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Side Letter and transactions contemplated thereunder (including the Annual Caps), which has been prepared for the purpose of incorporation in this circular.



Silver Nile Global Investments Limited
Suite 4301, Tower One
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

7 June 2024

*To: The Independent Board Committee and
the Independent Shareholders of ZO Future Group*

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO THE LEASE OF PROPERTIES IN CAMBODIA

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Side Letter and transactions contemplated thereunder (including the Annual Caps), details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company dated 7 June 2024 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the announcements of the Company dated 28 August 2018 and 21 April 2021 and the circulars of the Company dated 20 November 2018 and 28 May 2021 in relation to, among others, the continuing connected transactions contemplated under the Master Lease Agreement and the Supplemental Agreement. On 28 August 2018, Celestial Fame entered into the Master Lease Agreement with Ever Depot, pursuant to which Celestial Fame agreed to, among others, lease (or procure the lease of) the Properties to Ever Depot for a term of three years. On 21 April 2021, Celestial Fame entered into the Supplemental Agreement with Ever Depot, pursuant to which Celestial Fame and Ever Depot agreed to, among others, renew the Master Lease Agreement in relation to the lease of the Properties for a term of three years commencing from 1 July 2021 to 30 June 2024.

On 26 April 2024 (after trading hours), Celestial Fame entered into the Side Letter with Ever Depot, pursuant to which Celestial Fame as lessor and Ever Depot as lessee conditionally agreed to, among others, renew the Amended Lease Agreement in relation to the lease of the Properties for a term of three years commencing from 1 July 2024 to 30 June 2027 at a monthly rent of US\$301,060.80.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ever Depot is a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Annual Caps exceeds 5%, therefore, the Side Letter and transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolution(s). As Mr. Vong Pech and his respective associates (including GRED and Ever Depot) are materially interested in the transactions contemplated under the Side Letter, they are required to abstain from voting on the proposed resolutions relating to the Side Letter and the transactions contemplated thereunder (including the Annual Caps) at the EGM. As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors, save for the above, no other Shareholders are required to abstain from voting on relevant resolution(s) as aforementioned at the EGM.

An Independent Board Committee comprising all the Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Yeung Chi Tat, has been established to advise the Independent Shareholders as to whether the terms of the Side Letter and transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and whether the Side Letter and the transactions contemplated thereunder (including the Annual Caps) are in the interests of the Company and the Shareholders as a whole. We, Silver Nile Global Investments Limited ("Silver Nile Global"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Silver Nile Global was engaged as the independent financial adviser in relation to (i) major and connected transactions, details of which are set out in the Company's circular dated 27 June 2023 (the "June 2023 Engagement"); and (ii) connected transaction, details of which are set out in the Company's circular dated 1 March 2024 (the "March 2024 Engagement"). Save for the June 2023 Engagement, the March 2024 Engagement and our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Silver Nile Global in the past two years immediately preceding the Latest Practicable Date. Apart from the normal advisory fee payable to us in connection with our appointment for the June 2023 Engagement, the March 2024 Engagement and the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were independent from, not connected with and not aware of any relationship or interests with the Company, Ever Depot and any of their respective substantial shareholders or associates that could reasonably be regarded as relevant to our independence to act as the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the June 2023 Engagement and the March 2024 Engagement were only independent financial advisory engagements and will not affect our independence to act as the Independent Financial Adviser, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company, the Directors and the management of the Group, including but not limited to, (i) the Amended Lease Agreement and Side Letter; (ii) the letter of fair rent opinion dated 26 April 2024 (the “Market Rent Report”) issued by the Independent Valuer; and (iii) other relevant public information related to the Properties. We have assumed that (i) all statements, information and representations provided by the Company, the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Side Letter and the transactions contemplated thereunder (including the Annual Caps). We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group and Ever Depot, or their respective subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Side Letter and transactions contemplated thereunder (including the Annual Caps).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not made any independent evaluation or appraisal of the Properties, and we have not been furnished with any such evaluation or appraisal, save and except for the Market Rent Report prepared by the Independent Valuer which set out their assessment of fair market rent for the Properties. Since we are not experts in the valuation of land and property, we have relied solely on the Market Rent Report for the fair market rent of the Properties.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and Independent Shareholders solely in connection with their consideration of the entering into of the Side Letter and the transactions contemplated thereunder (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Side Letter and the transactions contemplated thereunder (including the Annual Caps), we have considered the following principal factors and reasons:

1. Background information of the parties to the Side Letter

(i) *Information of the Group and Celestial Fame*

With reference to the Letter from the Board, the Company is a company incorporated in the Cayman Islands with limited liability and the Group is principally engaged in, among others, the operation of a professional football club in the United Kingdom and other related business, new energy automobiles and related business and investment in properties. Meanwhile, Celestial Fame is a limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. Celestial Fame is principally engaged in properties investment.

(ii) *Financial highlights of the Group*

For the key financial highlights of the Group for the two years ended 30 June 2023, please refer to the section headed “1. Information of the Group – (ii) Financial highlights of the Group” as set out in the letter from the independent financial adviser as contained in the Company’s circular of connected transaction in relation to the subscription of new shares and issue of new shares under specific mandates dated 1 March 2024¹.

¹ page 21-23, <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0229/2024022901647.pdf>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below sets out the key financial information of the Group for the six months ended 31 December 2022 and 2023 as extracted from the interim report of the Company for the six months ended 31 December 2023 (the “2023IR”):

	For the six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	144,331	108,946
– <i>Football club</i>	<i>123,144</i>	<i>93,953</i>
– <i>New energy automobiles and related business</i>	<i>5,590</i>	<i>–</i>
– <i>Investment in properties</i>	<i>14,090</i>	<i>14,090</i>
– <i>Healthcare and medical related business</i>	<i>1,507</i>	<i>903</i>
Operating expenses	<i>(259,357)</i>	<i>(196,218)</i>
(Loss) for the period	<i>(56,412)</i>	<i>(56,167)</i>

As illustrated in the above table, the revenue of the Group increased by approximately HK\$35.4 million or 32.5% from approximately HK\$108.9 million to approximately HK\$144.3 million for the six months ended 31 December 2022 and 2023, respectively, primarily due to increase in revenue from the football club segment and the new revenue stream generated from the new energy automobiles and related business segment. The revenue derived from the investment properties remained stable in both periods.

The operating expenses of the Group during the six months ended 31 December 2023 increased by approximately HK\$63.1 million or 32.2% over the same period in 2022. According to the 2023IR, such increase in operating expenses were mainly attributable to higher operating expenses of Birmingham City Football Club Limited and a new business segment of new energy automobiles and related business during the period under review.

As a result of the above factors, the Group recorded a loss for the six months ended 31 December 2023 of approximately HK\$56.4 million, which is similar to the loss for the six months ended 31 December 2022 recorded by the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial position of the Group as at 31 December 2023 and 30 June 2023 as extracted from the 2023IR.

	As at 31 December 2023	As at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets	836,725	678,044
Current assets	220,801	281,527
Total assets	1,057,526	959,571
Current liabilities	182,731	642,414
Non-current liabilities	546,518	115,721
Total liabilities	729,249	758,135
Net assets	328,277	201,436

Total assets of the Group, as at 31 December 2023 mainly comprised of (i) investment properties which amounted to approximately HK\$470.7 million; (ii) property, plant and equipment which amounted to approximately HK\$154.9 million; (iii) intangible assets of approximately HK\$80.9 million; (iv) bank balances and cash of approximately HK\$80.0 million; and (v) deposits, prepayments and other receivables which amounted to approximately HK\$122.0 million.

Total liabilities of the Group, as at 31 December 2023 mainly comprised of (i) borrowings of approximately HK\$314.9 million; (ii) amount due to related parties of approximately HK\$173.2 million; (iii) lease liabilities of approximately HK\$94.5 million; and (iv) accruals and other payables of approximately HK\$60.3 million.

(iii) Information of Ever Depot

According to the information provided by the Company, Ever Depot is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of GRED, which in turn was wholly-owned by Mr. Vong Pech, as at the Latest Practicable Date. Ever Depot is principally engaged in investment holding, whilst GRED is a limited company incorporated in Cambodia and principally engaged in property development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Overview of the Cambodia real estate market

According to the International Monetary Fund (“IMF”) (according to the website of IMF, IMF is a major financial agency of the United Nations, and an international financial institution governed by and accountable to its 190 member countries, with headquarters in Washington, D.C., the United States of America), the gross domestic product (“GDP”) of Cambodia has increased from approximately US\$34.7 billion in 2020 to approximately US\$41.9 billion in 2023, while the GDP per capita of Cambodia increased from approximately US\$2,120 in 2020 to approximately US\$2,460 in 2023². It is noted that the economy of Cambodia continues to gradually recover. Nonetheless, according to data collected and computed by The World Bank Group (“World Bank”) (The World Bank is an international financial institution with 189 member countries that is owned by the governments of member nations provides loans and grants to the governments of low and middle income countries, according to its website), several downside risks³, including but not limited to (i) the increase in unemployment rate and poverty rate due to the COVID-19 pandemic has led to income losses; (ii) weaker than expected global demand for manufactured goods during post-pandemic recovery; (iii) energy and food price hikes due to the Russian-Ukraine conflict imposed an additional burden as they weighed on local household budgets; (iv) global financial stress amid elevated debt and high interest rates; and (v) a slower-than-anticipated recovery in China, may restrain the economic growth in Cambodia in the near future.

According to data compiled by Statista⁴ (a global data and business intelligence platform established in Germany and founded in 2007 with an extensive collection of statistics, reports, and insights on over 80,000 topics from 22,500 sources in 170 industries; and it operates in 13 locations worldwide and employs around 1,100 professionals, according to the website of Statista), the real estate market in Cambodia is projected to reach a value of approximately US\$601.1 billion by 2024 and is expected to show a compounded annual growth rate of 1.56% from 2024 – 2028, resulting an expected market volume of approximately US\$639.5 billion by 2028. Meanwhile, the inflation rate of Cambodia was around 5.33% in 2022 and is estimated to be decreased to approximately 2.27% in 2024.

We noted from an article “Cambodia Real Estate Highlights (H1 2023 Edition)” published by a global leading independent real estate consultancy (which has business network in over 50 territories worldwide with over 600 offices and 20,000 employees) in 2023, the prospect of the Cambodia’s real estate market is expected to be tough and challenging for developers and landlords primarily due to, among other things, the following factors:

1. significant incoming supply in office, retail, serviced apartment sectors entering the real estate market but limited demand growth for properties in respective sectors. Thus, the vacancy rates are expected to increase and the rents will continue to face downward pressure and the sectors enter an oversupply scenario;
2. average office rents have declined significantly, certain newly completed buildings have been asking rents from as low as US\$10 per sq.m. per month compared with pre-pandemic rents of similar properties starting from US\$23 per sq.m. per month;

² <https://www.imf.org/external/datamapper/profile/KHM>

³ <https://www.worldbank.org/en/country/cambodia/overview#1>

⁴ <https://www.statista.com/outlook/fmo/real-estate/cambodia> & <https://www.statista.com/statistics/438719/inflation-rate-in-cambodia/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. increasing cost of finance in Cambodia as a result of the increase interest rate by the US Federal Reserve; and
4. a drop in inflation indicates the economy of Cambodia may be entering into a recession.

Having considered the factors and statistics reflecting the outlook of the Cambodia real estate market as set out above, we are of the view that the outlook of the Cambodia real estate market is cautious and slow-moving in short term in line with the macroeconomic environment and may become competitive in trying to secure tenants.

3. Reasons for and benefits of entering into of the Side Letter

With reference to the Letter from the Board and as advised by the management of the Company, the Directors and management of the Group believe that the entering into of the Side Letter and transactions contemplated thereunder are beneficial to the Company due to (i) the Group will earn a stable stream of rental incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the Properties will be borne by Ever Depot.

As per the 2023IR, the Group holds certain residential apartments and commercial properties in Phnom Penh, Cambodia. All the properties are leased out to secure a stable stream of income for the Group. According to the 2023IR and annual reports for the year ended 30 June 2023 and 2022, the rental income from investment in properties segment amounted to approximately HK\$14.1 million, HK\$28.2 million, HK\$28.2 million and HK\$28.2 million for the six months period ended 31 December 2023, for the year ended 30 June 2023, for the year ended 30 June 2022 and for the year ended 30 June 2021, respectively, and representing approximately 9.7%, 13.0%, 12.8% and 17.1% of the Group's total revenue over respective financial period/year. The revenue generated from investment in properties remained relatively stable.

The Group has leased the Properties to Ever Depot since 2018 and, upon our review on the internal accounting records of rents paid by Ever Depot to the Group under the Supplemental Agreement and as confirmed by the management of the Company, Ever Depot has always settled the rent for the Properties on a timely manner. Upon our enquiry, the Group currently have not set up any representative office in Cambodia to manage the Properties. It is expected that the Group is required to devote extra resources to rent office and hire staff to provide management services for the Properties if they are leased to third party tenants. Furthermore, based on the total investment costs of the Properties by the Group, the annual rent of approximately US\$3.6 million will represent a yield of approximately 6.1% per annum, as provided by the management of the Company.

We consider that, upon the renewal of lease for the Properties, the Group will be able to (i) secure a stable income stream for the Group; (ii) minimise the operating costs of the Group's investment in properties segment; and (iii) secure a fixed return for the Group's properties investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As provided by the management of the Company, it is expected that Ever Depot will continue to license the Properties for an international school and service hotel apartment operation. We noted from the terms of the Master Lease Agreement and the Supplemental Agreement that, among others, (i) Ever Depot as the lessee shall pay on its own any utilities; (ii) Ever Depot shall have the discretion to consider and arrange for any insurance for the Properties; and (iii) Ever Depot shall be responsible to repair and make good of the same if the Properties suffer any damages due to the misconduct or negligence of any of Ever Depot. The terms of the Side Letter reconfirmed that the above relevant terms and conditions of the Amended Lease Agreement shall remain in full force and effect. Therefore, we concur with the view of the Directors and management of the Group that the Group does not need to bear costs and risks of running its own secondary businesses in the Properties.

Having considered the above, we are of the view that the Side Letter is entered into in the ordinary and usual course of business of the Company and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Side Letter

Summarised below are the principal terms of the Side Letter:

Date	:	26 April 2024 (after trading hours)
Parties	:	Celestial Fame as lessor; and Ever Depot as lessee
Subject matter	:	Celestial Fame has conditionally agreed to lease, or procure the lease of, the Properties to Ever Depot
Term	:	Three (3) years commencing from 1 July 2024, which term may be further renewed by agreement of Celestial Fame and Ever Depot
Others	:	Save and except otherwise provided in the Side Letter, all other terms and conditions of the Amended Lease Agreement, including but not limited to the rent for the Properties for the renewed term, shall remain in full force and effect

Further details of the principal terms of each of the Side Letter are outlined in the Letter from the Board.

With reference to the terms of the Amended Lease Agreement, the rent for the Properties shall be as follows:

Rent	:	US\$15 per sq.m. per month
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders are advised to refer to the circular of the Company dated 20 November 2018⁵ and 28 May 2021⁶ in relation to continuing connected transactions relating to lease of Properties in Cambodia for the terms and conditions of the Amended Lease Agreement.

5. Assessment on the rent for the Properties

Pursuant to the Side Letter (and the Amended Lease Agreement), the rent for the Properties is US\$15 per sq.m. per month, totalling a monthly rent of US\$85,118.85 for the Building and US\$215,941.95 for the Block, respectively. Accordingly, the total rent for each of the Building and the Block equals to approximately US\$1,022,000 (equivalent to approximately HK\$7,972,000) per annum and approximately US\$2,591,000 (equivalent to approximately HK\$20,210,000) per annum, respectively.

As set out in the Letter from the Board, the overall rent for the Properties was arrived at after arm's length negotiation between the parties under normal commercial terms in the ordinary course of business, and with reference to the existing rent under the Amended Lease Agreement and the fair rent as determined by the Independent Valuer having regarded to the prevailing market rents for similar premises in similar locations in Cambodia.

In assessing the fairness and reasonableness of the rent payable by the Company under the transactions contemplated under the Side Letter, we have obtained and reviewed the Market Rent Report issued by the Independent Valuer which set out their assessment of fair market rent for the Properties as at 15 April 2024.

(a) Independent Valuer's background, qualifications and experience

As part of our due diligence, we have interviewed the Independent Valuer and conducted an enquiry into its background, qualifications and experiences. According to our interview and the information provided by the Independent Valuer, we are given to understand that the Independent Valuer is a member of The Hong Kong Institute of Surveyors with solid experience in conducting property valuation and assessing the fairness and reasonableness of market rent of properties for major clients including listed companies and multinational corporations. The valuation project is led by Ms. Peggy Y.Y. Lai ("Ms. Lai"), who is a chartered member of The Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a registered professional surveyor of the Surveyors Registration Board. She has over 20 years of experience in the valuation of real estate industry and asset calculation sector. We further noted that Ms. Lai possess experience in property valuation in Hong Kong, United Kingdom, Canada, the People's Republic of China and the Asia Pacific Region (including Cambodia). As such, we are of the view that the Independent Valuer and the persons responsible for preparing and signing the Market Rent Report are qualified, experienced and competent in performing asset valuations.

⁵ <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1119/ltm20181119556.pdf>

⁶ <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0527/2021052700870.pdf>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also enquired with the Independent Valuer as to its independence from the Group (including other parties to the transaction, and core connected persons of either the Group or another party to the transaction) and were given the understanding that the Independent Valuer is an independent third party of the Group and its connected persons. The Independent Valuer also confirmed us that it was not aware of any relationships or interests between itself and the Company that would be reasonably considered to affect its independence to act as an independent valuer of the Company.

Moreover, we have reviewed the terms of engagement of the Independent Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact the degree of assurance given by the Independent Valuer.

In light of the above as a whole, we are not aware of any matters that would cause us to question the Independent Valuer's expertise and independence and we consider that the Independent Valuer has sufficient expertise and is independent to perform the valuation and provide a reliable opinion in respect of the fair market rent of the Properties.

(b) Basis and assumptions adopted in the Market Rent Report

We have reviewed the Market Rent Report and understand that the Market Rent Report was prepared in compliance with all the requirements contained in The HKIS Valuation Standards and International Valuation Standards. We consider the above to be acceptable and in line with market practice.

The Independent Valuer's assessment of the fair market rent has been made on the assumptions that, among others, (i) no account is taken of any additional bid by a prospective tenant with a special interest; and (ii) the landlord leases the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the market rent of the property interests. We have obtained the certificate of title of the Properties and upon our review, we consider the assumption to be general and commonly adopted assumption in market rent reports. Since no other unusual matters have come to our attention in this respect, we consider the basis and assumptions adopted in the Market Rent Report to be fair and reasonable.

(c) Methodology adopted in the Market Rent Report

According to the Market Rent Report and our interview with the Independent Valuer, in assessing the fairness and reasonableness of the market rent of the Properties, the Independent Valuer has adopted the market approach in its assessment by referring to comparable market rent transactions/asking rent in its assessment of the market rent of a property. This approach rests on the wide acceptance of the market rent transactions as the best indicator and pre-supposes that evidence of relevant rent transactions in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors. Upon our enquiry, we are being advised that the Independent Valuer considered the other two generally accepted valuation approaches, namely the income approach and the cost approach, are not suitable because (i) the income approach is not

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

appropriate as this is not a property valuation and is not practicable as more assumptions have to be involved, in arriving the value of the Properties to form the basis in assessing the market rent, which may affect the accurateness of valuation result; and (ii) the cost approach is considered not suitable as the transaction contemplated under the Side Letter is solely related to rental in nature whilst cost approach only considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation, taking into consideration past and present maintenance policy and rebuilding history.

As the market approach makes reference to the market rental of similar properties in nearby area, we concur with the view of the Independent Valuer that the market approach is a fair and reasonable approach to determine the fair market rent of the Properties.

(d) Rent for the Properties

The Independent Valuer has identified a total of three rental references of similar properties (for each of residential and commercial usage) that are located in the vicinity of the Properties with similar usage and established facilities and are offered as recent as possible (the “Comparable References”) for comparable analysis. The Independent Valuer has obtained rental references of the Comparable References, of which the respective unit rent of the Comparable References with residential usage was US\$14.15, US\$14.23 and US\$18.97 per sq.m. per month and the respective unit rent for the Comparable References with commercial usage was US\$15, US\$15 and US\$18 per sq.m. per month from its database and public sources through its own research. We have reviewed the sources of the Comparable References and noted that they are genuine references publicly available on Cambodia property transaction websites. We also noted that the properties under the Comparable References are either for residential and commercial use, which are the same as the Properties. Furthermore, although the size of the Comparable References ranged from 98 sq.m. to 1,030 sq.m. which is smaller in size as compared to the total saleable area of the Block and the gross floor area of the Building, we are of the view that the three comparable properties are appropriate and fair and reasonable comparables because (i) the Block comprises of various condominiums with size ranging from approximately 47.71 sq.m. to approximately 322.1 sq.m.; (ii) as advised by the Independent Valuer, no rental references of nearby properties with similar size to the Building had been identified; and (iii) as advised by the Independent Valuer, downward adjustment had been applied to reflect the difference in size between the Comparable References and the Building which we considered such downward adjustment is normal and reasonable as the average unit rent shall be lower for a property that is larger in size as compared to a smaller size property because the landlord usually has to provide sufficient incentive to potential tenant to take up the entire property that is larger in size.

The Independent Valuer has then considered various factors, which are determined based on the Independent Valuer’s professional experience, on the rental reference of each Comparable References including but not limited to location and proximity, the condition of the buildings erected thereon and leasable size, scale, nature, character, market view of the trend of asking rent and the market data between offering and actual transacted rent to derive the fair market rent of the Properties. The Independent Valuer confirmed that all the factors considered are conform to the market practice. We understood from the Independent Valuer that the fair market rent of the total gross floor area of the Properties in existing state as at 15 April 2024 was approximately US\$14.35 per sq.m. per month.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We obtained the underlying working paper and information from the Independent Valuer and noted that in assessing the overall rent of the Building and the Block, the Independent Valuer had taken into account (i) the respective unit rate of the Building and the Block with reference to the Comparable References; and (ii) the respective area of the Building and the Block. The overall rent of the Properties was calculated based on the proportion of the respective area of the Building and the Block. Furthermore, it is noted that the Independent Valuer applied the rental references of the Comparable References as the base value in its assessment of the fair market rent of the Properties. In this regard, having taken into consideration, (i) the Independent Valuer had applied a standalone adjustment due to the nature of asking rent; (ii) the Independent Valuer had taken the factor of market view of the trend of the asking rent of commercial and office buildings into consideration in deriving its opinion on the fair market rent of the Properties; (iii) as informed by the Independent Valuer, it has not identified a database which records any actual transacted rent of rental transactions in the location near to the Properties; and (iv) despite the fact stated in (iii), the Independent Valuer had taken into consideration, to the extent of available information possessed by the Independent Valuer, the market data of nearby premises/apartments in the abovementioned adjustments made in its assessment of the fair market rent of the Properties, we are satisfied with the Independent Valuer's assessment in this regard and we considered the use of asking rent (instead of market transacted rent) is fair and reasonable.

It is noted that the rent of the transaction contemplated under the Side Letter is identical to the rent of the transaction contemplated under the Supplemental Agreement. Taking into account (i) the factors and our research on the real estate market in Cambodia as set out in section headed "2. Overview of the Cambodia real estate market" above; (ii) reasons for entering into of the Side Letter as set out in the section headed "3. Reasons for and benefits of entering into of the Side Letter" above; (iii) adjustment factors considered by the Independent Valuer in reaching the fair market rent of the Properties, in particular the adjustment on market view of the trend of asking rent; (iv) the rent for the transactions under the Side Letter is higher than the fair market rent as opined by the Independent Valuer; and (v) the significant drop in the inflation rate of Cambodia in recent years tends to indicate uncertainty in economy of Cambodia and may hinder the economic growth of the Cambodia in the next few years, we concur with the view of the Directors that the arrangement of lack of increment in rent throughout the term of the Side Letter is acceptable and does not affect our opinion on the fairness and reasonableness of the rent of the transactions contemplated under the Side Letter.

Having considered all factors discussed in this section as a whole, we consider the rent of the transactions contemplated under the Side Letter is fair and reasonable, to be in line with the industry norm and on normal commercial terms and no less favourable to the Group than those available from independent third parties of similar properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conclusion on the rent for the Properties and overall principal terms of the Side Letter

Having considered (i) our due diligence work on the Market Rent Report as discussed in the sections above; (ii) the total annual rent of the Properties under the transactions contemplated under the Side Letter is fair and reasonable based on the opinion of Independent Valuer as set out in the Market Rent Report; and (iii) our review on other terms of the Side Letter and noted that they are on normal commercial terms, we consider the terms and conditions of the Side Letter and transactions contemplated thereunder, including the rental fees thereunder, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

6. The Annual Caps under the Side Letter

The existing annual caps under the Amended Lease Agreement, the historical transaction amounts under the Amended Lease Agreement for the year ended 30 June 2022 and 2023 and the expected amount received and receivable for the year ending 30 June 2024 are set out below:

	For the year ended 30 June		For the year ending 30 June
	2022	2023	2024
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Existing annual caps	3,613,000	3,613,000	3,613,000
Annual rent received or receivable	3,613,000	3,613,000	3,613,000

As disclosed in the Letter from the Board, the Annual Caps are as follows:

	For the year ending 30 June		
	2025	2026	2027
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Annual Caps	3,613,000	3,613,000	3,613,000

The Annual Caps are determined with reference to the above historical transaction amounts and the current market rents. It is noted that (i) the rent of the Properties is US\$15 per sq.m. per month; and (ii) the total leasable floor area of the Properties is 20,070.72 sq.m., therefore, the monthly rent for the Properties is US\$301,060.80 and the annual rent for the Properties is US\$3,612,729.60.

In view of the Annual Caps is computed in accordance with the market rent for the Properties and the rent of the Properties under the Side Letter is fair and reasonable based on the opinion of the Independent Valuer as set out in the Market Rent Report, we consider the basis for determining the Annual Caps to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Internal control measures

As advised by the management of the Company, the Company has adopted the following internal control measures to govern the connected transactions conducted under the Side Letter by the Group are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and within the annual cap amounts:

- (i) the designated staff from the accounts department of the Group shall monitor and ensure all transactions contemplated under the Side Letter are conducted in accordance with their respective terms and conditions, and record and maintain a record on the total transaction amount to ensure that the Annual Caps will not be exceeded. The said report will be submitted to the management of the Group on a monthly basis;
- (ii) the transactions contemplated under the Side Letter will be subject to annual review by the Independent Non-executive Directors to ensure all such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the Side Letter on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iii) the auditors of the Company will be engaged to conduct an annual review and report on the transactions contemplated under the Side Letter.

We understood from the management of the Company that the Group has adopted the above internal control measures when conducting the continuing connected transactions under the Amended Lease Agreement.

Based on the above procedures and our review of (i) the abovementioned monthly reports; (ii) payment records of the transactions; (iii) records of the Independent Non-executive Directors reviewing the continuing connected transactions of the Group; and (iv) the unqualified letter prepared by the auditor of the Company in respect of the annual review of the transaction contemplated under the Amended Lease Agreement, we are of the view that there are appropriate internal control procedures in place to ensure the Side Letter and the transactions contemplated thereunder are conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Side Letter are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Side Letter and the transactions contemplated thereunder (including the Annual Caps) are carried out in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve each of the Side Letter and transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
For and on behalf of
SILVER NILE GLOBAL INVESTMENTS LIMITED
Alan Lam
Managing Director

Note: Mr. Alan Lam is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Silver Nile Global Investments Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 11 years of experience in corporate finance advisory in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**a. Interests of Directors and chief executive**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules.

b. Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons or corporations (other than the Directors or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares and the underlying Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares interested in	Approximate percentage of the Company's issued share capital^(iv)
Trillion Trophy Asia Limited ⁽ⁱ⁾	Beneficial owner	217,000,000	26.62%
Wealthy Associates International Limited ⁽ⁱ⁾	Interest of controlled corporation	217,000,000	26.62%
Mr. Suen Cho Hung, Paul ⁽ⁱ⁾	Interest of controlled corporation	217,000,000	26.62%
Ever Depot ⁽ⁱⁱ⁾	Beneficial owner	203,415,179	24.95%
GREDD ⁽ⁱⁱ⁾	Interest of controlled corporation	203,415,179	24.95%
Mr. Vong Pech ⁽ⁱⁱ⁾	Interest of controlled corporation	203,415,179	24.95%
Dragon Villa Limited ⁽ⁱⁱⁱ⁾	Beneficial owner	131,774,640	16.16%
Mr. Lei Sutong ⁽ⁱⁱⁱ⁾	Interest of controlled corporation	131,774,640	16.16%

Notes:

- (i) Trillion Trophy Asia Limited is a wholly-owned subsidiary of Wealthy Associates International Limited which is in turn wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Wealthy Associates International Limited and Mr. Suen Cho Hung, Paul are deemed to be interested in the Shares held through Trillion Trophy Asia Limited under the SFO.
- (ii) Ever Depot is a wholly-owned subsidiary of GREDD which is in turn wholly-owned by Mr. Vong Pech. Accordingly, GREDD and Mr. Vong Pech are deemed to be interested in the Shares held through Ever Depot under the SFO.
- (iii) Dragon Villa Limited is wholly-owned by Mr. Lei Sutong. Accordingly, Mr. Lei Sutong is deemed to be interested in the Shares held through Dragon Villa Limited under the SFO.
- (iv) The approximate percentage of the Company's issued share capital was calculated on the basis of 815,257,419 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other relevant interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, Mr. Sue Ka Lok, a Non-executive Director, was a director of Trillion Trophy Asia Limited, which was interested in 217,000,000 Shares, representing approximately 26.62% of the total issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30 June 2023, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contracts between any Director and any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had engaged in any business that competes or may compete with the business of the Group or had any other conflict of interests with the Group.

6. MATERIAL ADVERSE CHANGE

References are made to (i) the profit warning announcement of the Company dated 20 February 2024; and (ii) the 2023/2024 interim report of the Company. As disclosed therein, the Group recorded a loss attributable to owners of the Company of approximately HK\$36.9 million for the six months ended 31 December 2023, representing an increase of approximately 30.0% as compared to the corresponding period in 2022. Reference is also made to the voluntary announcement on business update of the Company dated 6 May 2024, that in light of the relegation of Birmingham City Football Club (the "Club"), the Group expects a decrease in revenue and operating expenses in the year ending 30 June 2025 and a potential impairment on the assets of the Club.

The Directors confirm that, save as disclosed above, there has been no material adverse change in the financial or trading position of the Group since 30 June 2023, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions which are contained in this circular:

Name	Qualification
Silver Nile Global Investments Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
JP Assets Consultancy Limited	An independent valuer

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did any of them have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Group were made up (i.e. 30 June 2023), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they are included.

The letter and advice from the Independent Financial Adviser are given at the date of this circular for incorporation herein.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yam Pui Hung, Robert. Mr. Yam holds a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Yam is a fellow of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Yam has extensive experience in accounting, financial management, corporate finance and company secretarial practice.
- (b) The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is at 31/F., Vertical Sq, No. 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Group (www.zogroup.com.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out in this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the consent letters from the Independent Financial Adviser and the Independent Valuer as referred to in the section headed “Experts and consents” above;
- (e) the Fair Rent Letter;
- (f) the Master Lease Agreement;
- (g) the Supplemental Agreement; and
- (h) the Side Letter.

EGM NOTICE



ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of ZO Future Group (the “Company”) will be held by way of electronic means on Friday, 28 June 2024 at 4:00 p.m. (the “EGM”) to consider, and if thought fit, pass the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the side letter dated 26 April 2024 (the “Side Letter”), a copy of which is marked “A” and signed by the chairperson of the EGM for the purposes of identification, entered into between Celestial Fame Investments Limited as lessor and Ever Depot Limited as lessee relating to the lease of properties in Cambodia and all transactions contemplated thereunder or in relation thereto be and are hereby approved, confirmed and/or ratified;
- (b) the annual caps for the continuing connected transactions constituted by the transactions contemplated under the Side Letter for the three years ending 30 June 2027 as set out in the circular of the Company dated 7 June 2024 be and are hereby approved; and
- (c) any one director of the Company (the “Director(s)”) be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated under and for completion of the Side Letter, including but not limited to agree to such variation, amendment or waiver in relation thereto.”

By Order of the Board
ZO Future Group
Zhao Wenqing
Chairman

Hong Kong, 7 June 2024

EGM NOTICE

Notes:

- (1) Registered shareholders of the Company are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairperson of the EGM) for the proxy to receive the login access code to participate online in Tricor e-Meeting System.

Registered shareholders of the Company will be able to attend the EGM online to view the live broadcast, participate in voting, call to raise questions and submit questions in written form via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered shareholders of the Company whose shares of the Company are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM online to view the live broadcast, participate in voting, call to raise questions and submit questions in written form. In this regard, they should consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) (collectively the “Intermediary”) and instruct the Intermediary to appoint them as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, they will be asked to provide their email address, before the time limit required by the relevant Intermediary. Details regarding the e-Meeting System including the login details will be emailed to them by the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited.

- (2) For the purpose of ascertaining shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024 (both days inclusive). In order to be eligible to attend and vote at the EGM, all unregistered holders of the shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2024. Shareholders of the Company whose names are recorded in the register of members of the Company on Tuesday, 25 June 2024 are entitled to attend and vote at the EGM.
- (3) Any shareholder of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM (or any adjournment thereof). A proxy needs not be a shareholder of the Company.
- (4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof), and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM (or any adjournment thereof) should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the above resolution will be voted by way of poll.
- (6) If tropical cyclone warning No. 8 or above, or a “black rainstorm warning signal” is in effect any time after 7:00 a.m. on the date of the EGM, the EGM may be postponed in accordance with the articles of association of the Company. The Company will publish an announcement on the website of the Company at www.zogroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the “Latest Company Announcements” page to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
- (7) In the event of any inconsistency, the English text of this notice shall prevail over the Chinese text.
- (8) As at the date of this notice, the board of the Company comprises eight Directors, 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.