
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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of ZO Future Group.



ZO FUTURE GROUP 大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES;
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES;
AND
(3) 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 5 to 16 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 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 18 to 39 of this circular.

A notice convening the EGM to be held by way of electronic means on Wednesday, 20 March 2024 at 4:00 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-4 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).

1 March 2024

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Announcement”	the announcement dated 12 January 2024 of the Company in relation to the Subscriptions
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board”	the board of Directors
“Business Day”	a day (other than any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout normal business hours
“Cambodia”	the Kingdom of Cambodia
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Dragon Villa”	Dragon Villa Limited, which is wholly owned by Mr. Lei Sutong
“EGM”	the extraordinary general meeting of the Company to be held by way of electronic means on Wednesday, 20 March 2024 at 4:00 p.m. or any adjournment thereof for considering, and if thought fit, approving the resolutions as set out in the EGM Notice
“EGM Notice”	the notice for convening the EGM which is set out on pages EGM-1 to EGM-4 of this circular
“First Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for granting the authority to the Board for the allotment and issue of 21,848,739 Subscription Shares pursuant to the First Subscription

DEFINITIONS

“First Subscriber”	Ever Depot Limited, which is more particularly described in the section headed “Information of the Subscribers – The First Subscriber” of this circular
“First Subscription”	the subscription of the 21,848,739 Subscription Shares by the First Subscriber pursuant to the First Subscription Agreement
“First Subscription Agreement”	the subscription agreement entered into by the Company and the First Subscriber on 12 January 2024 in relation to the First Subscription
“GRED”	Graticity Real Estate Development Co., Ltd., a limited company incorporated in Cambodia and is principally 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 PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors formed to advise the Independent Shareholders on the First Subscription Agreement and the transactions contemplated thereunder and the grant of the First Specific Mandate
“Independent Financial Adviser”	Silver Nile Global Investments Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the First Subscription Agreement and the transactions contemplated thereunder and the grant of the First Specific Mandate
“Independent Shareholder(s)”	the Shareholder(s), other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the First Subscription Agreement and the transactions contemplated thereunder and the grant of the First Specific Mandate
“Independent Third Party”	a third party who is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Latest Practicable Date”	23 February 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2024 (or such later date as may be agreed by the Company and the relevant Subscriber in writing)
“PRC”	The People’s Republic of China
“Second Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM for granting the authority to the Board for the allotment and issue of 21,848,739 Subscription Shares pursuant to the Second Subscription
“Second Subscriber”	XINSIDER CAPITAL LIMITED, which is more particularly described in the section headed “Information of the Subscribers – The Second Subscriber” of this circular
“Second Subscription”	the subscription of the 21,848,739 Subscription Shares by the Second Subscriber pursuant to the Second Subscription Agreement
“Second Subscription Agreement”	the subscription agreement entered into by the Company and the Second Subscriber on 12 January 2024 in relation to the Second Subscription
“SFO”	the 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 Shares
“Specific Mandates”	collectively, the First Specific Mandate and the Second Specific Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, the First Subscriber and the Second Subscriber and “Subscriber” means any one of them
“Subscriptions”	collectively, the First Subscription and the Second Subscription
“Subscription Agreements”	collectively, the First Subscription Agreement and the Second Subscription Agreement
“Subscription Price”	HK\$2.142 per Subscription Share

DEFINITIONS

“Subscription Share(s)”	the total of 43,697,478 Shares to be allotted and issued by the Company to the Subscribers at completion of the Subscriptions and “Subscription Share” means any one of them
“Trillion Trophy”	Trillion Trophy Asia Limited, which is a wholly-owned subsidiary of Wealthy Associates International Limited, which in turn is wholly owned by Mr. Suen Cho Hung, Paul
“USA”	United States of America
“%”	per cent.

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

Registered Office:

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

Non-executive Director:

Mr. Sue Ka Lok

Principal Place of Business in Hong Kong:

Independent Non-executive Directors:

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

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

1 March 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES;
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement, on 12 January 2024 (after trading hours), the Company entered into (i) the First Subscription Agreement with the First Subscriber, pursuant to which the Company has conditionally agreed to allot and issue and the First Subscriber has conditionally agreed to subscribe for 21,848,739 Subscription Shares at the Subscription Price of HK\$2.142 per Subscription Share; and (ii) the Second Subscription Agreement with the Second Subscriber, pursuant to which the Company has conditionally agreed to allot and issue and the Second Subscriber has conditionally agreed to subscribe for 21,848,739 Subscription Shares at the Subscription Price of HK\$2.142 per Subscription Share, in accordance with the terms and conditions of the First Subscription Agreement and the Second Subscription Agreement, respectively.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements entered into with each of the Subscribers are substantially the same, except for the conditions precedent as more particularly set out in the section headed “Principal terms of the Subscription Agreements – 7. Conditions precedent” of this circular, i.e., each of the First Subscription and the Second Subscription is not inter-conditional on each other. The terms, including the subscription amount and the Subscription Price of each of the First Subscription Agreement and the Second Subscription Agreement, were separately negotiated.

Principal terms of the Subscription Agreements are summarised below:

1. **Date:** 12 January 2024
2. **Parties:** (i) the Company as issuer under the Subscription Agreements;
(ii) the First Subscriber as subscriber under the First Subscription Agreement; and
(iii) the Second Subscriber as subscriber under the Second Subscription Agreement.
3. **Subscription Shares**

Details of the Subscription Shares to be subscribed by each of the Subscribers are as follows:

Subscriber	As at the date of the Latest Practicable Date	Approximate % of the total issued Shares	Immediately after completion of the Subscriptions <i>Approximate % of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares ^(Note)</i>	Aggregate nominal value HK\$	Aggregate Subscription Price HK\$
The First Subscriber	21,848,739	2.83%	2.68%	5,462,184.75	46,800,000.00
The Second Subscriber	21,848,739	2.83%	2.68%	5,462,184.75	46,800,000.00
	<u>43,697,478</u>	<u>5.66%</u>	<u>5.36%</u>	<u>10,924,369.50</u>	<u>93,600,000.00</u>

Note: Assuming that there is no change in the total number of issued Shares from the Latest Practicable Date to the date of completion of the Subscription Agreements.

LETTER FROM THE BOARD

4. Subscription Price

The Subscription Price of HK\$2.142 per Subscription Share represents:

- (i) a discount of approximately 15.0% to the closing price of HK\$2.520 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) a discount of approximately 11.41% to the average closing price of HK\$2.418 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Subscription Agreements; and
- (iii) a discount of approximately 48.88% to the closing price of HK\$4.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$2.129 per Subscription Share. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to (i) the prevailing market price of the Shares; (ii) the recent trading volume of the Shares; (iii) the existing capital market conditions; and (iv) the recent performance and prospect of the Group's business.

In light of the relatively low liquidity of the Shares with reference to the historical daily trading volume of the Shares, the Group's loss making and net current liabilities position for the year ended 30 June 2023, and prospects and risks pertaining to the Group's plan to develop a new business segment of new energy automobiles and related business, the Company considered that it is reasonable to set the Subscription Price at a discount to the prevailing closing price of the Shares.

5. Payment terms

The aggregate Subscription Price of HK\$46.8 million shall be payable by each of the First Subscriber and the Second Subscriber to the Company in cash at completion of the First Subscription and the Second Subscription, respectively.

6. Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with all of the Shares in issue on the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

7. Conditions precedent

The First Subscription Agreement

Completion of the First Subscription shall be subject to and conditional upon:

- (i) the passing by the Shareholders (or, if required by the Listing Rules, the independent Shareholders) of all necessary resolutions at the general meeting of the Company approving the First Subscription Agreement and the transactions contemplated thereunder; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be subscribed by the First Subscriber pursuant to the First Subscription Agreement.

In the event the conditions precedent have not been fulfilled on or before the Long Stop Date, the obligations of the Company and the First Subscriber under the First Subscription Agreement shall cease to be of any effect and none of the parties shall be bound to carry out the remaining terms of the First Subscription Agreement except for any claims arising out of any antecedent breach of the First Subscription Agreement or any accrued rights or remedies of any party arising prior to such date.

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

The Second Subscription Agreement

Completion of the Second Subscription shall be subject to and conditional upon:

- (i) the passing by the Shareholders (or, if required by the Listing Rules, the independent Shareholders) of all necessary resolutions at the general meeting of the Company approving the Second Subscription Agreement and the transactions contemplated thereunder; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be subscribed by the Second Subscriber pursuant to the Second Subscription Agreement.

In the event the conditions precedent have not been fulfilled on or before the Long Stop Date, the obligations of the Company and the Second Subscriber under the Second Subscription Agreement shall cease to be of any effect and none of the parties shall be bound to carry out the remaining terms of the Second Subscription Agreement except for any claims arising out of any antecedent breach of the Second Subscription Agreement or any accrued rights or remedies of any party arising prior to such date.

LETTER FROM THE BOARD

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

Completion of the First Subscription and the Second Subscription is not inter-conditional on each other.

8. Completion

Completion of the First Subscription and the Second Subscription shall take place on the fifth Business Day after all of the respective conditions precedent have been fulfilled (or such later date as the Company and the relevant Subscriber may agree in writing).

EFFECT OF THE SUBSCRIPTIONS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other change in the shareholding structure of the Company, the following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the First Subscription but before completion of the Second Subscription; (iii) immediately after completion of the Second Subscription but before completion of the First Subscription; and (iv) immediately after completion of the First Subscription and the Second Subscription.

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the First Subscription but before completion of the Second Subscription		Immediately after completion of the First Subscription but before completion of the Second Subscription		Immediately after completion of the First Subscription and the Second Subscription	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>% of the total issued Shares⁽⁴⁾</i>	<i>Number of Shares</i>	<i>% of the total issued Shares⁽⁴⁾</i>	<i>Number of Shares</i>	<i>% of the total issued Shares⁽⁴⁾</i>	<i>Number of Shares</i>	<i>% of the total issued Shares⁽⁴⁾</i>
<i>Substantial Shareholders</i>								
Trillion Trophy ⁽¹⁾	217,000,000	28.12%	217,000,000	27.35%	217,000,000	27.35%	217,000,000	26.62%
Dragon Villa ⁽²⁾	131,774,640	17.08%	131,774,640	16.61%	131,774,640	16.61%	131,774,640	16.16%
The First Subscriber ⁽³⁾	181,566,440	23.53%	203,415,179	25.64%	181,566,440	22.88%	203,415,179	24.95%
Sub-total	530,341,080	68.74%	552,189,819	69.60%	530,341,080	68.84%	552,189,819	67.73%
<i>Public Shareholder</i>								
The Second Subscriber ⁽³⁾	0	0%	0	0%	21,848,739	2.75%	21,848,739	2.68%
Other public Shareholders	241,218,861	31.26%	241,218,861	30.40%	241,218,861	30.40%	241,218,861	29.59%
Sub-total	241,218,861	31.26%	241,218,861	30.40%	263,067,600	33.16%	263,067,600	32.27%
Total	771,559,941	100.00%	793,408,680	100.00%	793,408,680	100.00%	815,257,419	100.00%

LETTER FROM THE BOARD

Notes:

- (1) Trillion Trophy is a wholly-owned subsidiary of Wealthy Associates International Limited, which in turn is wholly owned by Mr. Suen Cho Hung, Paul.
- (2) Dragon Villa is wholly owned by Mr. Lei Sutong.
- (3) The First Subscriber and the Second Subscriber are more particularly described in the section headed "Information of the Subscribers" of this circular.
- (4) The percentage of the Shares are rounded to the nearest two decimal places, and the percentages may not add up to 100.00% due to rounding.

SPECIFIC MANDATES

The 21,848,739 Subscription Shares to be allotted and issued under the First Subscription will be allotted and issued under the First Specific Mandate to be sought from the Independent Shareholders at the EGM.

The 21,848,739 Subscription Shares to be allotted and issued under the Second Subscription will be allotted and issued under the Second Specific Mandate to be sought from the Shareholders at the EGM.

APPLICATION FOR LISTING

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

INFORMATION OF THE SUBSCRIBERS

The First Subscriber

The First Subscriber 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. The First Subscriber is principally engaged in investment holding.

As at the Latest Practicable Date, the First Subscriber held 181,566,440 Shares, representing approximately 23.53% of the issued share capital of the Company, and therefore is a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

The Second Subscriber

Based on the information provided by the Second Subscriber, the Second Subscriber is a company incorporated under the laws of Delaware, USA, with limited liability and is principally engaged in investment business. The Second Subscriber is a family office and an investment platform and its ultimate beneficial owner is Ms. Weiyi C Yu (蔡葦怡). Ms. Yu has invested in various areas, including an electric vehicle manufacturer in the PRC, an off-road electric vehicle manufacturer in USA and a trucking and logistics company in USA.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, including obtaining a written independence confirmation from Ms. Yu and the Second Subscriber, (i) each of the Second Subscriber and Ms. Yu is an Independent Third Party; and (ii) except the Second Subscription Agreement and the transactions contemplated thereunder, each of the Second Subscriber and Ms. Yu has no business relationship or otherwise related to the Company and its connected persons, as at the date of the Second Subscription Agreement.

As confirmed in writing by each of Mr. Vong Pech and Ms. Yu, there is no side arrangement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between (i) Mr. Vong Pech and the First Subscriber on one part; and (ii) Ms. Yu and the Second Subscriber on the other part, in respect of the Subscription Agreements.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Company is a company incorporated in the Cayman Islands and the Group is principally engaged in four business segments, namely (i) operation of a professional football club in the United Kingdom and other related business; (ii) new energy automobiles and related business; (iii) investment in properties; and (iv) healthcare and medical related business.

As disclosed in the annual report of the Company for the year ended 30 June 2023, while the management will continue to be prudent in managing its business operations and financial resources and maximise its business potential during challenging time, the Group will proactively explore new businesses that will enhance the value of the Group and has been studying various potential investment opportunities such as high technologies and eco-friendly technologies businesses which may help to diversify the business of the Group. In view of the promising and potential growth in the new energy vehicles market in recent years, the Group has decided to tap into the new energy vehicles market. The Directors are of the view that the expansion into the new energy automobiles and related business from the other existing principal business will diversify the Group's income streams which eventually will enhance the financial performance of the Group as a whole. As at the Latest Practicable Date, the Group did not plan to downsize the other existing principal business as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group had already commenced the new energy automobiles and related business. As disclosed in the voluntary announcement of the Company dated 16 January 2024, the Group has entered into two strategic cooperation agreements with Weichai New Energy Commercial Vehicle Co., Ltd* (濰柴新能源商用車有限公司) (“Weichai New Energy”), which is principally engaged in the business of research and development, manufacturing, sales and servicing of vehicles. Pursuant to such strategic cooperation agreements, the Group will engage Weichai New Energy to manufacture designated electric trucks under the brand “ZO Motors” owned by the Group. As disclosed in the voluntary announcement of the Company dated 6 February 2024, the Group has entered into a cooperation agreement with Foton International Trade Co., Ltd Beijing* (北京福田國際貿易有限公司) (“Foton International”) in relation to the procurement of designated electric trucks manufactured by Foton International and the sale of which in authorised territories of the designated electric trucks under its brand. The Group plans to jointly develop designated electric trucks under the Group’s own brands with original design manufacturers, such as Weichai New Energy and Foton International, and sell and distribute these electric trucks in authorised territories through direct-to-consumer sales and, if there is any appropriate candidate, dealership. The Group has also built a strong dedicated team principally led by senior management from global automotive and technology companies which includes: (i) the Global Chief Executive Officer, Mr. Jeroen Joost de Vries, who has over 35 years of experience in commercial vehicle operations and management in North America, South America, the Middle East, the PRC and Japan with brands including Volvo, Tesla, Mack Trucks and DeLorean Motor; (ii) the President of Asia Pacific, Mr. He Dong, who has more than 17 years of senior management experience in brands including Mercedes-Benz, Lexus, Mazda, Volkswagen, Dongfeng Motor, Sinotruk, Weichai and Foton and has founded a number of logistics and warehousing enterprises; and (iii) director of a subsidiary of ZO Motors in Japan, Mr. Teranishi Hidetoyo, who has over 20 years of experience in global business operations and sales. The expected funding requirement of the new energy automobiles and related business is estimated to be approximately HK\$92.0 million by 30 June 2024.

The Company considers that the Subscriptions will raise capital for the Company and improve the financial position of the Group for its future development and working capital, in particular for the development of the new energy automobiles and related business. In light of the prevailing financial conditions of the Group, the Company also considers that the Subscriptions to be a suitable financing option as compared to other means of financing, such as debt financing and other equity financing, as it enables the Group to raise capital in an efficient manner without increasing interest burden of the Group. With regard to debt financing, the Board is of the view that it would incur additional finance costs and increase gearing ratio of the Group. Having taken into consideration the net loss position of the Group for the two years ended 30 June 2023, it is likely that the Group will be subject to lengthy negotiations with external lenders and be offered with less favourable interest rate and terms, while the Subscriptions will provide additional funding to the Group’s general operation without increasing financial burden to the Group’s financial position and maintain a healthy liquidity for the Group. In respect of other equity financing, such as rights issue or open offer, it is considered that such fund-raising activities are more time-consuming as compared to the Subscriptions due to the involvement of the issue of listing documents together with other applications and extensive administrative procedures. Furthermore, these fund-raising activities may incur additional costs, including but not limited to underwriting commission and other professional fees, and most importantly, there is no guarantee that the Company will be able to seek an underwriter for rights issue or open offer and, if it is not underwritten, the results will be uncertain. In respect of placing of new shares, given the Group’s recent unfavourable financial performance, potential investors may require a larger placing discount to the trading price of the Shares as compared with the Subscription Price and the placing agent would charge a higher commission, while the Subscriptions are commission-free in nature.

* For identification purpose only

LETTER FROM THE BOARD

The Directors (excluding the Independent Non-executive Directors whose views are set out in the Letter from the Independent Board Committee in this circular) are of the view that the terms of the First Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable, and the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate) are in the interests of the Company and the Shareholders as a whole.

The Directors are of the view that the terms of the Second Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable, and the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Second Specific Mandate) are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscriptions will amount to approximately HK\$93.6 million. After deducting related fees and expenses, the net proceeds from the Subscriptions are expected to be approximately HK\$93.0 million.

The Company intends to utilise the said net proceeds from the Subscriptions as follows: (i) approximately 40% (HK\$37.2 million) is intended to be used for general working capital of the Group, in particular for the development of new energy automobiles and related business; and (ii) approximately 60% (HK\$55.8 million) is intended to be used for the repayment of the Group's liabilities.

In relation to the development of new energy automobiles and related business, the net proceeds allocated thereto are expected to be utilised as follows:

	Net proceeds allocated (HK\$'000)	% of the net proceeds for general working capital
Operating expenses (principally include cost of certification and homologation, and purchase of vehicles)	17,993	48.4%
Other administrative expenses (principally include staff costs, office rental and research and development expenses)	19,207	51.6%
Total:	<u>37,200</u>	<u>100.0%</u>

The Company intends to use the remainder of the net proceeds of approximately HK\$55.8 million, for the repayment of its shareholders' loans. The said shareholders' loans are revolving loan facilities up to an aggregate amount of HK\$650.0 million at interest rates ranging from 4.5% to 7% per annum granted by substantial Shareholders, out of which up to HK\$100.0 million has a maturity date on 31 December 2024, and the remainder of up to HK\$550.0 million has a maturity date on 31 December 2026.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the First Subscriber is a substantial Shareholder and hence a connected person of the Company, the First Subscription Agreement and the transactions contemplated thereunder constitute connected transactions for the Company and shall be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the First Subscription Agreement, the Second Subscription Agreement and the respective transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

THE EGM

Set out on pages EGM-1 to EGM-4 of this circular is the EGM Notice convening the EGM to consider and, if appropriate, to approve the resolutions relating to, (i) the First Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the First Specific Mandate; (iii) the Second Subscription Agreement and the transactions contemplated thereunder; and (iv) the grant of the Second Specific Mandate. At the EGM, Mr. Vong Pech and his associates (including the First Subscriber) will abstain from voting on the resolutions approving the First Subscription Agreement and the transactions contemplated thereunder and the grant of the First Specific Mandate. As at the Latest Practicable Date, Mr. Vong Pech and his associates (including the First Subscriber) were interested in 181,566,440 Shares, representing approximately 23.53% of the issued share capital of the Company. To the best of the knowledge, information and belief of the Directors, other than Mr. Vong Pech and his associates (including the First Subscriber), none of the persons who are required to abstain from voting at the EGM held any Shares as at the Latest Practicable Date.

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 Friday, 15 March 2024 to Wednesday, 20 March 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 Thursday, 14 March 2024. Shareholders whose names are recorded in the register of members of the Company on Friday, 15 March 2024 are entitled to attend and vote at the EGM.

VOTING AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be put to vote by way of poll at the EGM. An announcement on the poll results will be made by the Company after the EGM pursuant to Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the First Subscription Agreement are fair and reasonable and on normal commercial terms and whether the First Subscription and the transactions contemplated thereunder (including the grant of the First Specific Mandate) are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser in 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 relevant resolution(s) approving the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate) at the EGM.

The Directors also recommend the Shareholders to vote in favour of the relevant resolution(s) approving the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Second Specific Mandate) at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the 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



ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

1 March 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES AND
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES**

We refer to the circular of the Company dated 1 March 2024 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the First Subscription Agreement are fair and reasonable and on normal commercial terms and whether the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate) are in the interests of the Company and the Shareholders as a whole. Details of the First Subscription Agreement and the transactions contemplated thereunder (including the First Specific Mandate) 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 First Subscription Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the First Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate), while not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate).

Yours faithfully

For and on behalf of the Independent Board Committee of

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 First Subscription Agreement and transactions contemplated thereunder (including the grant of the First Specific Mandate), 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

1 March 2024

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

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES;
AND
(2) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES**

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 First Subscription Agreement and transactions contemplated thereunder, 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 1 March 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.

On 12 January 2024 (after trading hours), among others, the Company and the First Subscriber entered into the First Subscription Agreement, pursuant to which the Company conditionally agreed to allot and the First Subscriber conditionally agreed to subscribe for 21,848,739 Subscription Shares at the Subscription Price of HK\$2.142 per Subscription Share, in accordance with the terms and conditions of the First Subscription Agreement.

The First Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the First Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the First Subscriber) are materially interested in the transactions contemplated under the First Subscription Agreement, they are required to abstain from voting on the proposed resolution relating to the First Subscription Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors, save for Mr. Vong Pech and his associates (including the First Subscriber), 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 First Subscription Agreement are fair and reasonable and on normal commercial terms and whether the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate) 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 major and connected transactions, details of which are set out in the Company’s circular dated 27 June 2023 (the “June 2023 Engagement”). Save for the June 2023 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 and as 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 engagement, as at the Latest Practicable Date, we were independent from, not connected with and not aware of any relationship or interests with the Company, the First Subscriber 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.

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 was only an independent financial advisory engagement 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Group, 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 and the Directors. We have assumed that (i) all statements, information and representations provided by 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 First Subscription, the First Subscription Agreement and the transactions contemplated thereunder. 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, the First Subscriber, 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 First Subscription.

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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 First Subscription Agreement and the transactions contemplated thereunder, and except for its inclusion in this 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 First Subscription Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group

(i) Background information of the Group

With reference to the Letter from the Board, the Group is principally engaged in four business segments, namely, (i) operation of a professional football club in the United Kingdom and other related business; (ii) new energy automobiles and related business; (iii) investment in properties; and (iv) healthcare and medical related business.

(ii) Financial highlights of the Group

The table below sets out the key financial information of the Group for the two years ended 30 June 2023 as extracted from the published annual report of the Company for the year ended 30 June 2023 (the “2023AR”):

	For the year ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	217,097	220,939
– Football Club	186,587	191,713
– Investment in properties	28,179	28,179
– Healthcare Business	2,331	1,047
Operating expenses	(418,208)	(465,552)
(Loss) for the year	(85,555)	(107,767)

As illustrated in the above table, the revenue of the Group decreased by approximately HK\$3.8 million or 1.7% from approximately HK\$220.9 million to approximately HK\$217.1 million for the year ended 30 June 2022 and 2023, respectively. As disclosed in the 2023AR, such decrease was mainly due to devaluation of Pounds Sterling during the year which caused the revenue of the Birmingham City Football Club (the “Club”) decreased by approximately 2.5% to approximately HK\$186.2 million in terms of Hong Kong dollars, despite the fact that the Club recorded an increase in revenue, in terms of Pounds Sterling, by approximately 7.5% over the same period last year and the Company recorded an increase in revenue generated from healthcare business segment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The operating expenses of the Group during the year ended 30 June 2023 (“FY2023”) decreased by approximately HK\$47.3 million or 10.2% over the same period in 2022. With reference to the 2023AR, such decrease was mainly attributable to devaluation of Pounds Sterling. It is also noted that the Group recorded a decrease in one-off football club segment compensation of approximately HK\$21.6 million from approximately HK\$201.3 million to approximately HK\$179.7 million for the year ended 30 June 2022 and 2023, respectively and a decrease of approximately HK\$13.1 million in profit on sales of players’ registration for FY2023 as compared to the year ended 30 June 2022.

As a result of the above factors, the Group recorded a loss for FY2023 of approximately HK\$85.6 million, representing a decrease of approximately 20.6% from the loss for the year ended 30 June 2022 of approximately HK\$107.8 million.

Set out below is a summary of the financial position of the Group as at 30 June 2022 and 2023 as extracted from the 2023AR.

	As at 30 June 2023	As at 30 June 2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	678,044	661,937
Current assets	281,527	355,867
Total assets	959,571	1,017,804
Current liabilities	642,414	443,911
Non-current liabilities	115,721	351,080
Total liabilities	758,135	794,991
Net assets	201,436	222,813

For the financial position of the Group, as at 30 June 2023, the major assets of the Group included (i) the investment properties of residential apartments and commercial properties in Phnom Penh, Cambodia held by the Group of approximately HK\$470.7 million; and (ii) amount due from a related party of approximately HK\$188.5 million, which altogether accounted for approximately 68.7% of the total assets of the Group. It is also noted that the Group only had low level of bank balances and cash of approximately HK\$14.7 million as at 30 June 2023. The major liabilities of the Group were the borrowings of approximately HK\$253.5 million and amount due to related party of approximately HK\$302.4 million which accounted for approximately 73.3% of the total liabilities of the Group as at 30 June 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the 2023AR, the management of the Company will continue to be prudent in managing the business operations and financial resources of the Company and maximising the business potential during the challenging time due to the uncertainties and disruptions to economic activities brought by the Russia-Ukraine war and the continuous intense relationship between the PRC and the USA. The management of the Company will also proactively explore new businesses in the area of sports accessories, health supplements as well as high technologies and eco-friendly technologies businesses which may help to diversify the business of the Group. In this regard, as advised by the management of the Company, the Group is ready to allocate resources to initiate studies on potential investment and business development in new energy automobiles market that may bring new income streams to the Group.

2. Overview of new energy automobile (electric trucks) market

According to the “Announcement of National Development and Reform Commission (No. 72 [2007])” issued by National Development and Reform Commission of the PRC on 17 October 2007, the term “new energy automobiles” refers to vehicles that are at least partly powered by alternative energy source other than solely rely on power generated from conventional fossil fuel with internal combustion engine. New energy automobiles include hybrid vehicles, battery electric vehicle (including solar powered vehicles), fuel cell electric vehicles, hydrogen engine vehicles and vehicles with other new energy sources (such as highly efficient energy accumulator and dimethyl ether), etc.

As provided by the management of the Company, the Group has decided to focus on electric trucks overseas market outside the PRC as its first step in the commencement of new energy automobiles and related business. As such, the discussion in this section will target the oversea electric trucks market.

We noted from an article “Global EV outlook 2023 – Trends in electric heavy-duty vehicles” published by International Energy Agency (“IEA”) (according to the website of IEA, IEA, founded in 1974, is an autonomous intergovernmental organisation which collects and distributes authoritative energy data from more than 180 countries through its energy data centre), in May 2022, nearly 60,000 medium- and heavy-duty trucks were sold worldwide, representing about 1.2% of truck sales worldwide. In addition, many of the trucks being sold in Latin America, North America and Europe are Chinese brands. Set out below are the number of new medium- and heavy-duty electric truck registrations for each of the year from 2018 to 2022, being the latest available five years statistics published by the IEA:

		2018	2019	2020	2021	2022
Number of new electric trucks registration in	PRC	58,000	37,000	33,000	37,000	52,000
	Europe	300	800	1,000	1,500	2,800
	USA	/	/	/	2,400	3,100
	Other parts of the World	100	100	100	/	2,300
	Total	58,400	37,900	34,100	40,900	60,200

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, although the overall number of new electric truck registration worldwide recorded year-on-year decrease for each of the year 2018, 2019 and 2020, the number of new electric trucks registrations in Europe increased from 300 in 2018 to 2,800 in 2022; while, there were 2,400 and 3,100 new electric trucks registration in the USA in 2021 and 2022 respectively. The total number of global new electric trucks registration increased from 34,100 in 2020 to 60,200 in 2022, representing a compound annual growth rate of approximately 32.87%.

Furthermore, according to an article “Electrifying Trucks: Tackling Inflation and Saving Americans Money” published by the Natural Resources Defense Council (a United States-based 501 non-profit international environmental advocacy group founded in 1970 with more than 3 million members and online activists with the expertise of some 700 scientists, lawyers, and other environmental specialists, according to information on its website) on 1 November 2023, the increase in demand for electric trucks in the past few years were driven by, among other things, the follow advantages of electric trucks over conventional fossil fuel powered trucks:

1. electric trucks offer lower operating costs with cheaper electricity as a fuel source and fewer maintenance requirements due to their simpler drivetrains;
2. the upraising social responsibility and corporate image on environmental, social and governance favours the switching from a diesel truck to an electric truck as electric trucks produce zero tailpipe emissions; and
3. electric trucks are two to five times as efficient as diesel trucks, reducing total energy consumption and fueling with electricity rather than diesel can slash fuel costs by 40% to 60%. In 2023, the fuel cost for operating a diesel truck was around US\$4.00 per gallon, whilst it took only around US\$1.20 to fuel an electric truck compared to a similar diesel truck.

Having considered the statistics reflecting the outlook of the electric trucks market as set out above, we are of the view that the outlook of the electric trucks market is positive.

3. Information of the First Subscriber

According to the information provided by the Company, the First Subscriber 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. The First Subscriber is principally engaged in investment holding.

As at the Latest Practicable Date, the First Subscriber holds approximately 23.53% of the issued share capital of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Reasons for entering into the First Subscription Agreement and benefits of the First Subscription

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 Subscriptions (which include the First Subscription) are beneficial to the Company for the primary reasons that (a) the Subscriptions (which include the First Subscription) provide an opportunity for the Company to raise funds to further strengthen its capital base and financial position and allow the Company an opportunity to develop new business which, if successful, may eventually diversify the Group's income streams and enhance the financial performance of the Group; and (b) the repayment of the Group's liabilities shall assist in improving the financial position of the Group and alleviate the Group's burden on interest payment.

As per the Letter from the Board, approximately 40% and 60% of the net proceeds from the Subscriptions (including First Subscription) are intended to be utilised for general working capital of the Group, in particular for the development of new energy automobiles and related business and for the repayment of the Group's liabilities, respectively. For the net proceeds to be utilised for general working capital, approximately 48.4% (equivalent to approximately HK\$9.0 million from the net proceeds of the First Subscription) are expected to be utilised as operating expenses which principally include cost of certification and homologation and the purchase of vehicles, and approximately 51.6% (equivalent to approximately HK\$9.6 million from the net proceeds of the First Subscription) are expected to be utilised as other administrative expenses which principally include staff costs, office rental and research and development expenses.

We noted that the financial performance of the Group has remained flatlined in the recent two financial years. For the year ended 30 June 2022 and 2023, the Group recorded (i) revenue of approximately HK\$220.9 million and HK\$217.1 million; (ii) loss attributable to the Shareholders of approximately HK\$40.7 million and HK\$25.7 million; and (iii) net current liabilities of approximately HK\$88.0 million and HK\$360.9 million, respectively. In addition, according to the 2023AR, the Group only had approximately HK\$14.7 million in bank balances and cash as at 30 June 2023. Moreover, as set out in the Letter from the Board, expected upcoming funding requirement for the new business segment of new energy automobiles and related business until June 2024 is estimated to be approximately HK\$92.0 million. The Company considered that there is a necessity to replenish its cash position to support the operation of the Group in the near future. As illustrated in the section headed "7. Financial effects of the First Subscription" below, immediately upon completion of the First Subscription, the Group's total net asset value and cash and cash equivalents are expected to increase, thus, improving the working capital of the Group. The Group has continued to optimise the asset structure and business development quality, and strengthen its own capability to deal with various unfavourable external economic conditions including the Russia-Ukraine war and the continuous intense relationship between the PRC and the USA, so that it could enjoy higher liquidity in its daily operation and implementation of business strategies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the Group has continued to seek for new investment opportunities to broaden the revenue and profit potential of the Group and enhance the Shareholders' value in long term. As disclosed in the announcement of the Company dated 16 January 2024, the Group has entered into two strategic cooperation agreements with Weichai New Energy Commercial Vehicle Co., Ltd* (濰柴新能源商用車有限公司) ("Weichai New Energy"), a wholly-owned subsidiary of Weichai Holding Group Company Limited, (the parent company of Weichai Power Co. Ltd., the shares of which are listed on the Stock Exchange (Hong Kong stock code: 2338) and the Shenzhen Stock Exchange (Shenzhen stock code: 000338)). The main objectives of the cooperation include to engage Weichai New Energy as the ODM (original design manufacturer) production base of the Group and the sale by the Group in authorised territories of designated electric trucks under the brand "ZO Motors". The Company further disclosed in the voluntary announcement of the Company dated 6 February 2024 that the Group has entered into a cooperation agreement with Foton International Trade Co., Ltd Beijing* (北京福田國際貿易有限公司) ("Foton International") in relation to the procurement of designated electric trucks manufactured by Foton International and the sale of which in authorised territories of the designated electric trucks under its brand. Please refer to the relevant announcements for further details of the aforementioned cooperations. Based on our discussion with the management of the Company, we are given to understand that the Directors considered that the outlook of new energy automobiles industry is positive and high potential and hence, the investment in this industry would diversify the investment portfolio of the Company and may enhance the Group's profitability in the future. Having considered the statistics reflecting the outlook of new energy automobiles industry as set out in the section headed "2. Overview of new energy automobile (electric trucks) market", we concur with the view of the Directors. It is unknown at this moment on the results of the Group's new investment in new energy automobiles, nonetheless, without suitable and adequate financial resources investment, the Group will not be able to capture any market potentials or to secure any opportunity that may improve the Group's financial position and facilitate the long-term sustainability of the Group's business development.

Upon our enquiry, the management of the Company advised that they also considered other forms of fund-raising for the Group, such as debt financing and other equity financing. With regard to debt financing methods, the Company considered that it would incur additional finance costs and increase gearing ratio of the Group. Having taken into consideration the net loss position of the Group for the two years ended 30 June 2023, we consider it is likely that the Group may be subject to lengthier negotiations with external lenders and a less favourable interest rate and terms, and the First Subscription will provide additional funding to the Group's general operation without increasing financial burden to the Group's financial position and maintain a healthy liquidity for the Group.

In respect of other equity financing (such as rights issue or open offer), it is considered that the fund-raising activities conducted through rights issue or open offer generally are more time-consuming compared to the Subscriptions due to the involvement of the issue of listing documents together with other applications and extensive administrative procedures (e.g. trading arrangements), which would usually take an additional two to three months to complete as compared to the Subscriptions. Furthermore, these fund-raising activities may incur additional costs, including but not limited to underwriting commission and other professional fees (i.e. reporting accountants, lawyers and/or brokerage agent(s)), and most importantly, there is no guarantee that the Company will be able to seek an underwriter for rights issue or open offer and if it is not underwritten, the results will be uncertain.

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of placing of new shares, the Company has considered that, given the Group's recent unfavourable financial performance, potential investor(s) may require a larger placing discount to the trading price of the Shares as compared with the Subscription Price and the placing agent would charge a higher commission, while the First Subscription is commission-free in nature. Furthermore, under placing arrangement, shares are expected to place to placees who are independent third parties, which is not conducive to further strengthen the Company's capital base and may affect the future growth and long-term sustainability of the Group.

Based on the above, we concur with the Directors that the First Subscription is an appropriate fund-raising means currently available to the Group.

Lastly, given that the First Subscriber is a substantial shareholder of the Company, we consider that the First Subscription reflects the confidence and commitment of the First Subscriber towards the long-term and sustainable development of the Company, and that the First Subscription is expected to further strengthen the alignment of interests between the First Subscriber and the Company.

Having considered the circumstances and various factors stated above, we concur with the Directors that, although the First Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the First Subscription Agreement

Summarised below are the major terms of the First Subscription Agreement:

Date	:	12 January 2024 (after trading hours)
Parties	:	The Company as issuer; and The First Subscriber as subscriber.
Nature of the First Subscription and payment terms	:	Pursuant to the First Subscription Agreement, the Company has conditionally agreed to allot and issue, and the First Subscriber has conditionally agreed to subscribe for 21,848,739 Subscription Shares at the Subscription Price payable in cash at completion of the First Subscription.
Subscription Shares under the First Subscription Agreement	:	21,848,739 subscription shares (being ordinary shares of HK\$0.25 each in the share capital of the Company) to be allotted and issued by the Company to the First Subscriber at completion of the First Subscription.

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As at the Latest Practicable Date, the Company had 771,559,941 Shares in issue. Assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the issue and allotment of the Subscription Shares, 21,848,739 Subscription Shares represent:

- (i) approximately 2.83% of the total number of issued Shares as at the Latest Practicable Date; and
- (ii) approximately 2.68% of the enlarged issued share capital of the Company by the Subscriptions.

The aggregate nominal value of 21,848,739 Subscription Shares will be HK\$5,462,184.75.

Ranking of the Subscription Shares : The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with all of the Shares in issue on the date of allotment and issue of the Subscription Shares.

Subscription Price : The total consideration for 21,848,739 Subscription Shares is HK\$46,800,000, representing a price of HK\$2.142 per Subscription Share.

With reference to the Letter from the Board and public information, the Subscription Price of HK\$2.142 per Subscription Share represents:

- (i) a discount of approximately 48.88% to the closing price of HK\$4.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 15.0% (the “LTD Discount”) to the closing price of HK\$2.520 per Share as quoted on the Stock Exchange on the date of the First Subscription Agreement (the “Last Trading Day”);
- (iii) a discount of approximately 11.41% (the “Five Days Discount”) to the average closing price of HK\$2.418 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the Last Trading Day;

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- (iv) a discount of approximately 10.23% (the “Ten Days Discount”) to the average closing price of HK\$2.386 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the Last Trading Day; and
- (v) a premium of approximately 720.69% over the Group’s audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.261 as at 30 June 2023.

With reference to the Letter from the Board, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers with reference to (i) the prevailing market price of the Shares; (ii) the recent trading volume of the Shares; (iii) the existing capital market conditions; (iv) the recent performance and prospect of the Group’s business. Furthermore, in light of the relatively low liquidity of the Shares with reference to the historical daily trading volume of the Shares, the Group’s loss making and net current liabilities position for the year ended 30 June 2023, and prospects and risks pertaining to the Group’s plan to develop a new business segment of new energy automobiles and related business, the Company considered that it is reasonable to set the Subscription Price at a discount to the prevailing closing price of the Shares.

Conditions precedent of the First Subscription : Completion of the First Subscription is conditional upon and subject to:

- (i) the passing by the Shareholders (or, if required by the Listing Rules, the independent Shareholders) of all necessary resolutions at the general meeting of the Company approving the First Subscription Agreement and the transactions contemplated thereunder; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be subscribed by the First Subscriber pursuant to the First Subscription Agreement.

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Completion of the First Subscription is not inter-conditional with the completion of the Second Subscription.

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

Completion : Completion shall take place on the fifth Business Day after all of the respective conditions precedent have been fulfilled (or such later date as the Company and the relevant subscriber may agree in writing).

First Specific Mandate for the issue of the Subscription Shares pursuant to the First Subscription : The 21,848,739 Subscription Shares to be allotted and issued under the First Subscription will be allotted and issued under the First Specific Mandate to be sought from the Independent Shareholders at the EGM.

Further details of the principal terms of the First Subscription Agreement are outlined in the Letter from the Board.

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

(a) *Share price performance*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 3 January 2023 to the Last Trading Day (the “Review Period”), being approximately 12-month period prior to the Last Trading Day which is a commonly adopted share price review period for analysis and we consider such period is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price for our analysis.

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Source: The Stock Exchange

During the Review Period, the highest and lowest closing prices of Shares as quoted on the Stock Exchange were HK\$2.670 recorded on 11 January 2024 and HK\$0.405 recorded on 20 November 2023, respectively. The Subscription Price falls within the aforesaid closing price range.

The closing prices per Share formed a general decreasing trend from the start of the Review Period until reaching the closing price of HK\$0.405 per Share on 20 November 2023. Thereafter, the closing prices of the Shares reversed the declining trend and reached a high of HK\$2.670 recorded on 11 January 2024. We are unable to identify any market news nor announcement of the Company which might have triggered the upward trend since late November 2023 up to the Last Trading Day. Having made enquiry with the Company, the management of the Company confirmed that they are not aware of any reason which could lead to the aforesaid movements of the closing prices of the Shares during the Review Period.

Although the Subscription Price represents a discount of approximately 19.78% and 15.0% to the highest closing price of HK\$2.670 per Share during the Review Period and the closing price of HK\$2.520 per Share on the Last Trading Day, respectively, we noted that majority of the historical daily closing prices per Share were lower than the Subscription Price during the Review Period. Indeed, the Subscription Price represents a premium of approximately 134.28% over the average closing price of approximately HK\$0.914 per Share during the Review Period.

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(b) *Historical trading liquidity of the Shares*

Set out in the table below is the trading volume data in respect of the Shares during the Review Period:

Month	No. of trading days in each month	Total trading volume for the month/period	Average daily trading volume for the month/period	% of the average daily trading volume to total number of issued Shares held by the public as at date of the First Subscription Agreement	% of the average daily trading volume to total number of issued Shares as at date of the First Subscription Agreement
2023					
January (commencing from 3 January 2023)	18	1,166,699	64,817	0.027%	0.008%
February	20	1,892,644	94,632	0.039%	0.012%
March	23	2,897,832	125,993	0.052%	0.016%
April	17	1,033,493	60,794	0.025%	0.008%
May	21	192,950	9,188	0.004%	0.001%
June	21	199,170	9,484	0.004%	0.001%
July	20	122,446	6,122	0.003%	0.001%
August	23	282,080	12,264	0.005%	0.002%
September	19	155,904	8,205	0.003%	0.001%
October	20	98,890	4,945	0.002%	0.001%
November	22	943,788	42,899	0.018%	0.006%
December	19	11,663,034	613,844	0.254%	0.080%
2024					
January (up to and including the Last Trading Day)	9	10,771,814	1,196,868	0.496%	0.155%
Average				0.072%	0.022%

Source: The Stock Exchange

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We noted from the above table that the average daily trading volume of the Shares was very few and scattered during the Review Period ranged from (i) 0.002% to 0.496% of the total number of issued Shares held in public hands as at the date of the First Subscription Agreement; and (ii) 0.001% to 0.155% of the total number of issued Shares as at the date of the First Subscription Agreement for each month during the Review Period.

We also noted that there was an increase in average daily volume of the Shares for December 2023 and the period in January 2024 (up to the Last Trading Day), which was generally in line with the upward trend in the closing prices of the Shares during the same month/period. Nonetheless, we are not aware of any reasons for such fluctuations and, as per our discussion with the management of the Company, we are being advised that the management of the Company did not identify any specific reasons for the sudden increase in trading volume as well.

Despite the aforementioned increase in average daily volume of the Shares in the last 1.5 months of the Review Period, we considered the overall trading volume of the Shares during the Review Period was relatively low after taking into consideration the fact that (i) the average daily trading volume of the issued Shares for the Review Period was only approximately 0.072% of the total number of issued Shares held by the public as at the date of the First Subscription Agreement and approximately 0.022% of the total number of issued Shares as at the date of the First Subscription Agreement; and (ii) the average trading volume of the issued Shares for each month was all below 0.06% to the total number of issued Shares held by the public as at the date of the First Subscription Agreement and below 0.02% to total number of issued Shares as at the date of the First Subscription Agreement in the first 11 months of the Review Period.

Given the relatively low trading volume of the Shares as illustrated above may hinder the attractiveness of any equity fund-raising activities to be conducted by the Company to investors (irrespective of whether such investors are connected person of the Company (as defined in the Listing Rules)) and may require more time to seek enough potential investors if any, to cover the amount of proceeds under the First Subscription, it is reasonable to set the Subscription Price at a discount to the closing price of the Share as at the Last Trading Day.

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(c) *Comparable transactions*

In order to further evaluate the fairness and reasonableness of the Subscription Price, we have performed an analysis of comparable issues by searching the website of the Stock Exchange on a best effort basis for all share issues for cash (the “Comparable Issues”) announced during the six-month period prior to the Last Trading Day by companies listed on the Stock Exchange, which involve placing/subscription/issue of new shares to/by connected persons of respective issuers of the Comparable Issues but without involving acquisitions, restructuring, loan capitalisation, share award scheme, public offering, mandatory cash offer, whitewash waiver, and issuance of convertible securities or A shares so as to identify transactions that are in the same nature as the First Subscription.

We determined the length of our review period based on two major factors: (i) the comparable period has to be close to the date of First Subscription Agreement such that the Comparable Issues are under similar and recent market conditions and sentiment; and (ii) the number of samples covered in the comparable period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable issue.

We consider that a review period of six months is appropriate and adequate since the Comparable Issues can provide the Independent Board Committee and Shareholders a general reference for market practice of determining subscription price under recent market conditions. Moreover, the Comparable Issues can provide a general understanding of this type of transaction in the Hong Kong stock market under the current capital market environment, in our opinion, the Comparable Issues are fair and representative samples in view of the similarity of the nature of the Comparable Issues and the First Subscription.

Based on such criteria, we have identified an exhaustive list of 14 Comparable Issues, further details of which are set out below. For each of the Comparable Issues identified, we compared the premium or discount of its placing/issue/subscription price to (a) the closing price on the last trading day or the date of announcement; (b) average closing price for the last five trading days; and (c) average closing price for the last ten trading days, as summarised in the following table.

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Company name (Stock code)	Date of announcement	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day or date of the corresponding subscription agreement	Premium/ (discount) of the subscription price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement	Premium/ (discount) of the subscription price over/to the average closing price of the last 10 trading days prior to the date of the corresponding announcement
Creative China Holdings Limited (8368)	19-Jun-23	(17.69)	(18.63)	(14.88)
China Ruyi Holdings Limited (136)	4-Jul-23	(17.53)	(16.84)	(15.70)
NVC International Holdings Limited (2222)	9-Jul-23	16.90	23.90	21.52
Summi (Group) Holdings Limited (756)	10-Jul-23	(9.46)	(9.46)	(9.70)
Applied Development Holdings Limited (519)	26-Jul-23	(17.07)	(20.19)	(20.47)
CT Vision S.L. (International) Holdings Limited (994)	30-Jul-23	(11.11)	(10.31)	(10.41)
NVC International Holdings Limited (2222)	10-Oct-23	0.00	2.20	0.48
Virtual Mind Holding Company Limited (1520)	20-Oct-23	8.70	6.38	5.71
Hopefluent Group Holdings Limited (733) [#]	6-Nov-23	73.12	75.00	74.43
Denox Environmental & Technology Holdings Limited (1452)	6-Nov-23	(4.00)	2.56	(0.83)

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Company name (Stock code)	Date of announcement	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day or date of the corresponding subscription agreement	Premium/ (discount) of the subscription price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement	Premium/ (discount) of the subscription price over/to the average closing price of the last 10 trading days prior to the date of the corresponding announcement
Creative China Holdings Limited (8368)	10-Nov-23	(10.17)	(7.99)	(9.09)
Chuan Holdings Limited (1420)	17-Nov-23	0.00	0.54	0.95
East Buy Holding Limited (1797)	24-Nov-23	0.00	5.87	7.08
Cornerstone Technologies Holdings Limited (8391)	22-Dec-23	17.14	12.64	17.82
	Maximum	73.12	75.00	74.43
	Minimum	(17.69)	(20.19)	(20.47)
	Average	2.06	3.26	3.35
	Median	(2.00)	1.37	(0.18)
Excluding outliers	Maximum	17.14	23.90	21.52
	Minimum	(17.69)	(20.19)	(20.47)
	Average	(3.41)	(2.26)	(2.12)
	Median	(4.00)	0.54	(0.83)
The First Subscription	12-Jan-24	(15.00)	(11.41)	(10.23)

Source: The Stock Exchange

Note #: the outlier due to the reason mentioned in the following paragraph.

Among the Comparable Issues, we noted that the premium of subscription price of Hopefluent Group Holdings Limited over closing share price as at the last trading day and average closing share price for the last five and ten trading days are exceptionally high as compared with those of other Comparable Issues, we consider that the subscription price of Hopefluent Group Holdings Limited as outlier and has been excluded from this analysis.

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According to the above table, we noted that the subscription prices of the Comparable Issues (excluding the outlier):

- ranged from a discount of approximately 17.69% to a premium of approximately 17.14%, with average discount of approximately 3.41% and median discount of approximately 4.00% to/over the respective closing prices of the shares on the last trading day prior to the entering into of the agreement in relation to the respective subscription;
- ranged from a discount of approximately 20.19% to a premium of approximately 23.90%, with average discount of approximately 2.26% and median premium of approximately 0.54% to/over the respective average closing prices of the shares for the five consecutive trading days prior to the entering into of the agreement in relation to the respective subscription;
- ranged from a discount of approximately 20.47% to a premium of approximately 21.52%, with average discount of approximately 2.12% and median discount of approximately 0.83% to/over the respective average closing prices of the shares for the ten consecutive trading days prior to the entering into of the agreement in relation to the respective subscription.

As such, all of LTD Discount, Five Days Discount and Ten Days Discount fall within the above ranges of the Comparable Issues (excluding the outlier).

Although all of the LTD Discount, the Five Days Discount and the Ten Days Discount are below the average and median of those of the Comparable Issues (excluding the outlier), having considered that (i) LTD Discount, Five Days Discount and Ten Days Discount are within the ranges of those of the Comparables Issues (excluding the outlier); (ii) the closing price of the Shares increased by 522.22% in a relatively short period of time, i.e. from HK\$0.405 on 20 November 2023 (which is the lowest closing price of the Shares during the Review Period) to HK\$2.52 on the Last Trading Day, and thus it is justifiable to allow a relatively deep discount of the Subscription Price to the closing price of the Shares on the Last Trading Day and the average closing prices of the Shares for the five and ten consecutive trading days immediately prior to the Last Trading Day as compared to the average and median of those of the Comparable Issues (excluding the outlier) in order to provide sufficient incentive to the First Subscriber to provide extra capital for the Company and improve the financial position of the Group for its future development and working capital; (iii) the Subscription Price is within the range of the lowest and highest closing price of Shares during the Review Period; (iv) the Subscription Price is higher than the closing price per Share for 242 trading days out of 252 trading days during the Review Period and is close to the then recent closing prices of Shares; (v) the Subscription Price represents a premium of approximately 134.28% over the average closing price of approximately HK\$0.914 per Share during the Review Period; (vi) the overall trading volume of the Shares during the Review Period was limited; (vii) the reasons for entering into the First Subscription Agreement and benefits of the First Subscription; (viii) the net losses recorded by the Group for the years ended 30 June 2022 and 2023; and (ix) the First Subscription is appropriate fund-raising method currently available to the Group, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Taking into account the principal terms of the First Subscription Agreement (including the Subscription Price) as highlighted above and our review on other terms of the First Subscription Agreement including, among others, the conditions precedent, and noted that they are on normal commercial terms, we are of the view that the terms of the First Subscription Agreement are on normal commercial terms and are fair and reasonable.

6. Potential dilution effect on the shareholding of the Company

According to the table set out under the sub-section headed “Effect of the subscriptions on the shareholding structure of the Company” of the Letter from the Board, the shareholding interests of the other public Shareholders would be diluted by approximately 0.86% immediately after completion of the First Subscription but before the completion of the Second Subscription and assuming no other change in the share capital of the Company since the Latest Practicable Date. We consider the said level of dilution to the shareholding interests of other Shareholders as a result of the First Subscription is minimal and acceptable.

7. Financial effects of the First Subscription

According to the 2023AR, the audited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$201.4 million and HK\$14.7 million as at 30 June 2023, respectively.

The net proceeds of the First Subscription, after the deduction of the estimated related expenses, are estimated to be approximately HK\$46.5 million (being 50% of the net proceeds from the Subscriptions).

Following the completion, a total of 21,848,739 Shares will be issued by the Company and the Company will receive the subscription money in cash, thus the amount of cash and cash equivalents and net assets value are expected to increase by the same amount as the net proceeds from the First Subscription. Accordingly, the cash positions and current ratio of the Group are expected to be improved upon completion of the First Subscription.

As set out in the Letter from the Board, the Company intends to utilise approximately 60% of the net proceeds from the Subscriptions (including the First Subscription) for the repayment of the Group’s liabilities. Therefore, assuming all other factors remain constant, it is expected that the gearing ratio of the Group will be improved upon the completion of the First Subscription.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group following the completion of the First Subscription.

Nonetheless, based on the above analysis, the First Subscription is expected to have a positive impact on the Group’s financial position. Accordingly, we are of the view that the First Subscription is in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the First Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the First Specific Mandate), while not in the ordinary and usual course of business of the Group, is 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 resolution to be proposed at the EGM to approve the First Subscription Agreement and transactions contemplated thereunder (including the grant of the First Specific Mandate).

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 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 Group. 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

As at the Latest Practicable Date, there were no interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as 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 (the “Model Code”) 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 person or corporation (other than a Director or chief executive of the Company) had, or were deemed to have an interest or short positions in the shares or underlying shares of the Company as 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 of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares interested in	Approximate percentage of the Company's issued share capital ⁽⁴⁾
Trillion Trophy ⁽¹⁾	Beneficial owner	217,000,000	28.12%
Wealthy Associates International Limited (“Wealthy Associates”) ⁽¹⁾	Interest of controlled corporation	217,000,000	28.12%
Mr. Suen Cho Hung, Paul (“Mr. Suen”) ⁽¹⁾	Interest of controlled corporation	217,000,000	28.12%
The First Subscriber ⁽²⁾	Beneficial owner	181,566,440	23.53%
GREED ⁽²⁾	Interest of controlled corporation	181,566,440	23.53%
Mr. Vong Pech ⁽²⁾	Interest of controlled corporation	181,566,440	23.53%
Dragon Villa ⁽³⁾	Beneficial owner	131,774,640	17.08%
Mr. Lei Sutong ⁽³⁾	Interest of controlled corporation	131,774,640	17.08%

Notes:

- (1) Trillion Trophy is a wholly-owned subsidiary of Wealthy Associates which in turn is wholly owned by Mr. Suen. Accordingly, Wealthy Associates and Mr. Suen are deemed to be interested in the Shares held through Trillion Trophy under the SFO.
- (2) The Frist Subscriber is a wholly-owned subsidiary of GRED which in turn is wholly owned by Mr. Vong Pech. Accordingly, GRED and Mr. Vong Pech are deemed to be interested in the Shares held through the First Subscriber under the SFO.
- (3) Dragon Villa is wholly owned by Mr. Lei Sutong. Accordingly, Mr. Lei Sutong is deemed to be interested in the Shares held through Dragon Villa under the SFO.
- (4) The approximate percentage of the Company's issued share capital was calculated on the basis of 771,559,941 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the Company's Shares and underlying shares as at the Latest Practicable Date as required pursuant to section 336 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, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which 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 agreement between any Director and any member of the Group (excluding agreements 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

The Directors confirm that, save as disclosed in the profit warning announcement of the Company dated 20 February 2024, 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 consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

8. MATERIAL CONTRACTS

Set out below are summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within two years immediately preceding the Latest Practicable Date:

- (i) the Share Purchase Agreement dated 7 May 2023 entered into between the Company and Shelby Companies Limited (the “Buyer”) in relation to disposal of 19,838,227 shares in the issued share capital of Birmingham City Limited (“BCP”) and the assignment of approximately 32% of the remaining shareholders’ loans owing by BCP to the Company following completion of a debt reorganisation at a consideration of approximately GBP5.3 million;
- (ii) the deed of debt reorganisation dated 13 July 2023 in relation to the assignment to the Company of certain shareholder’s loans owing by BCP to Orient Rainbow Investments Limited (“ORIL”) for the consideration of GBP1.0 and capitalisation of certain shareholder’s loans in the amount of GBP100.0 million owing by BCP to the Company entered into between the Company, ORIL and BCP;
- (iii) the shareholders’ agreement dated 13 July 2023 in relation to BCP entered into between the Company, the Buyer and BCP;
- (iv) the operating loan agreement (the “Operating Loan Agreement”) dated 13 July 2023 entered into between, among others, the Buyer (as original lender) and BCP (as borrower) providing a term loan facility in an aggregate principal amount of GBP50.0 million;
- (v) the share charge and security deed dated 13 July 2023 executed by the Company and KHR Servicing, LLC (the “Security Agent”) as a continuing security for the payment, discharge and performance of all present and future money, obligations or liabilities due, owing or incurred by BCP, Birmingham City Football Club Limited (“BCFC”) or Birmingham City Women Football Club Limited (“BCWFC”) to any secured party under the Operating Loan Agreement and the other finance documents as referred to therein;
- (vi) the share charge and security deed dated 13 July 2023 executed by BCP and the Security Agent as a continuing security for the payment, discharge and performance of all present and future money, obligations or liabilities due, owing or incurred by BCP, BCFC or BCWFC to any secured party under the Operating Loan Agreement and the other finance documents as referred to therein;

- (vii) the escrow agreement dated 13 July 2023 entered into between the Buyer (as original lender under the Operating Loan Agreement), the Security Agent, BCP, BCFC and the Company, pursuant to which BCFC shall make a utilisation request for GBP5.0 million under the Operating Loan Agreement which will be deposited in the relevant escrow account;
- (viii) the loan agreement (the “Company Loan Agreement”) dated 13 July 2023 entered into between, among others, the Company, BCP and BCFC in relation to an uncommitted sterling term loan facility in an aggregate amount not exceeding GBP17.5 million;
- (ix) the share charge and security deed dated 13 July 2023 executed by the Buyer and the Company as a continuing security for the payment, discharge and performance of all present and future money, obligations or liabilities due, owing or incurred by BCP, BCFC or BCWFC under, among other things, the Company Loan Agreement;
- (x) the letter agreement dated 13 July 2023 entered into between BCP, the Company and the Buyer setting out the terms and conditions on which the Company may lend moneys to BCP in relation to an uncommitted facility in an amount equal to GBP50.0 million minus the aggregate amount of the loans drawn under the Operating Loan Agreement and the Company Loan Agreement;
- (xi) the subordination deed dated 13 July 2023 entered into between, among others, BCP and BCFC as borrowers, the Company and the Buyer as subordinated creditors, the Security Agent as agent and security agent in relation to arrangement in relation to payment of debt;
- (xii) the stadium naming rights agreement dated 26 January 2024 entered into between BCFC and the Buyer pursuant to which BCFC granted to the Buyer certain sponsorship rights in respect of St. Andrew’s Stadium and Wast Hill Training Ground in the UK at (i) an aggregate sponsorship fee of approximately GBP13.57 million for the licence period from 26 January 2024 to 30 June 2026; (ii) a club performance-related bonus; and (iii) a social media performance-related bonus;
- (xiii) the First Subscription Agreement; and
- (xiv) the Second Subscription Agreement.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion which is 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

As at the Latest Practicable Date, the above expert 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.

The above expert 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.

10. 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.

11. 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 letter from the Independent Financial Adviser as referred to in the section headed “Expert and consent” above;
- (e) the Subscription Agreements.

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 Wednesday, 20 March 2024 at 4:00 p.m. (the “EGM”) to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the subscription agreement dated 12 January 2024 (the “First Subscription Agreement”) (a copy of which is tabled at the EGM and marked “A” and signed by the chairman of the EGM for identification purpose) entered into between the Company (as the issuer) and Ever Depot Limited (the “First Subscriber”) (as the subscriber), pursuant to which the Company has conditionally agreed to allot and issue and the First Subscriber has conditionally agreed to subscribe for 21,848,739 shares of the Company (each, a “Share”) at HK\$2.142 per Share be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) having granted the listing of, and permission to deal in, the 21,848,739 Shares to be subscribed by the First Subscriber pursuant to the First Subscription Agreement, the directors of the Company (the “Director(s)”) be and are hereby granted with a specific mandate (the “First Specific Mandate”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue 21,848,739 Shares to the First Subscriber, on and subject to the terms and conditions of the First Subscription Agreement, provided that the First Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may be granted from time to time to the Directors prior to the passing of this resolution; and

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- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute all such documents or agreements or deeds and take all such actions as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the First Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company as a whole.”

2. **“THAT:**

- (a) the subscription agreement dated 12 January 2024 (the “Second Subscription Agreement”) (a copy of which is tabled at the EGM and marked “B” and signed by the chairman of the EGM for identification purpose) entered into between the Company (as the issuer) and XINSIDER CAPITAL LIMITED (the “Second Subscriber”) (as the subscriber), pursuant to which the Company has conditionally agreed to allot and issue and the Second Subscriber has conditionally agreed to subscribe for 21,848,739 Shares at HK\$2.142 per Share be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the 21,848,739 Shares to be subscribed by the Second Subscriber pursuant to the Second Subscription Agreement, the Directors be and are hereby granted with a specific mandate (the “Second Specific Mandate”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue 21,848,739 Shares to the Second Subscriber, on and subject to the terms and conditions of the Second Subscription Agreement, provided that the Second Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may be granted from time to time to the Directors prior to the passing of this resolution; and

EGM NOTICE

- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute all such documents or agreements or deeds and take all such actions as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Second Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company as a whole.”

By Order of the Board
ZO Future Group
Zhao Wenqing
Chairman

Hong Kong, 1 March 2024

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 chairman 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 Friday, 15 March 2024 to Wednesday, 20 March 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 Thursday, 14 March, 2024. Shareholders of the Company whose names are recorded in the register of members of the Company on Friday, 15 March 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.

EGM NOTICE

- (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-meeting.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, the above resolutions 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 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.