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ZO FUTURE GROUP

大象未來集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

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

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders
Silver Nile Global Investments Limited**



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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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

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

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

LISTING RULES IMPLICATIONS

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

None of the Directors has material interest in the Side Letter and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

THE EGM

The EGM will be held to consider, and if thought fit, to approve the Side Letter and the transactions contemplated thereunder (including the Annual Caps).

As at the date of this announcement, Ever Depot, which is a wholly-owned subsidiary of GRED, which in turn is wholly-owned by Mr. Vong Pech, is interested in approximately 24.95% of the issued Shares. As such, Mr. Vong Pech and his associates (including GRED and Ever Depot) will abstain from voting on the resolution(s) approving the Side Letter and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, save as disclosed herein, as at the date of this announcement, no other Shareholders will be required to abstain from voting in respect of the relevant resolution(s) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Side Letter and the transactions contemplated thereunder (including the Annual Caps) are (i) fair and reasonable, (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group and (iii) 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.

Silver Nile Global Investments Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

A circular containing, among other information, (i) a letter from the Board containing further details of the Side Letter and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders within 15 business days (has the meaning ascribed to it under the Listing Rules) from the date of this announcement.

The Side Letter is subject to the satisfaction of the conditions precedent as described in this announcement. There is no assurance that any of such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Side Letter may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

INTRODUCTION

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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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

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

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

THE SIDE LETTER

The principal terms of the Side Letter are summarised as follows:

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

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

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

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

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

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

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

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

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

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

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

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

INFORMATION ON THE PARTIES

The Company

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

Celestial Fame

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

Ever Depot

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

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As the Side Letter is being entered into in the ordinary and usual course of business of the Group, the Company believes that it will benefit from the transactions contemplated under the Side Letter due to the following reasons: (i) the Group will earn a stable stream of rental incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the Properties will be borne by Ever Depot, the lessee.

The Independent Valuer has provided the Group with opinions on the current rental of the Properties based on market rental information of comparable properties. The rent receivable for the transactions contemplated under the Side Letter is fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations in Cambodia.

Having considered the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) consider that:

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

LISTING RULES IMPLICATIONS

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

None of the Directors has material interest in the Side Letter and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

THE EGM

The EGM will be held to consider, and if thought fit, to approve the Side Letter and the transactions contemplated thereunder (including the Annual Caps).

As at the date of this announcement, Ever Depot, which is a wholly-owned subsidiary of GRED, which in turn is wholly-owned by Mr. Vong Pech, is interested in approximately 24.95% of the issued Shares. As such, Mr. Vong Pech and his associates (including GRED and Ever Depot) will abstain from voting on the resolution(s) approving the Side Letter and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, save as disclosed herein, as at the date of this announcement, no other Shareholders will be required to abstain from voting in respect of the relevant resolution(s) at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Side Letter and the transactions contemplated thereunder (including the Annual Caps) are (i) fair and reasonable, (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group and (iii) 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.

Silver Nile Global Investments Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

A circular containing, among other information, (i) a letter from the Board containing further details of the Side Letter and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders within 15 business days (has the meaning ascribed to it under the Listing Rules) from the date of this announcement.

The Side Letter is subject to the satisfaction of the conditions precedent as described in this announcement. There is no assurance that any of such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Side Letter may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Amended Lease Agreement”	the Master Lease Agreement as amended by the Supplemental Agreement
“Annual Caps”	the proposed annual caps for the transactions contemplated under the Side Letter for the three years ending 30 June 2027
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Block”	the properties owned by the Group, which are located within and form part of One Park and comprised of (i) portion of the 2-storey commercial podium adjacent to the main building of the condominium with saleable area of approximately 6,247.34 sq.m.; and (ii) Block C of One Park with total saleable area of approximately 8,148.79 sq.m.
“Board”	the board of Directors
“Building”	the building in One Park owned by the Group, with gross floor area of approximately 5,674.59 sq.m. for commercial use
“Cambodia”	the Kingdom of Cambodia
“Celestial Fame”	Celestial Fame Investments Limited, which is more particularly described in the section headed “Information on the parties – Celestial Fame” of this announcement
“Company”	ZO Future Group (stock code: 2309), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for considering, and if thought fit, approving the Side Letter and the transactions contemplated thereunder (including the Annual Caps)
“Ever Depot”	Ever Depot Limited, which is more particularly described in the section headed “Information on the parties – Ever Depot” of this announcement
“GRED”	Graticity Real Estate Development Co., Ltd., a limited company incorporated in Cambodia wholly-owned by Mr. Vong Pech, and is engaged in property development
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors formed to advise the Independent Shareholders on the Side Letter and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Silver Nile Global Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Side Letter and the transactions contemplated thereunder (including the Annual Caps)

“Independent Shareholders”	the Shareholder(s), other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Side Letter and the transactions contemplated thereunder
“Independent Valuer”	JP Assets Consultancy Limited, an independent valuer appointed by the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2024 (or such other date as Celestial Fame and Ever Depot may agree in writing)
“Master Lease Agreement”	the master lease agreement dated 28 August 2018 entered into between Celestial Fame and Ever Depot
“One Park”	a property development project in Cambodia developed by GRED, details of which are disclosed in the circular of the Company dated 31 October 2017
“Properties”	collectively, the Building and the Block
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Side Letter”	the side letter dated 26 April 2024 entered into between Celestial Fame and Ever Depot
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Supplemental Agreement”	the supplemental agreement dated 21 April 2021 entered into between Celestial Fame and Ever Depot
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent
“sq.m.”	square meter

By Order of the Board
ZO Future Group
Zhao Wenqing
Chairman

Hong Kong, 26 April 2024

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

For the purpose of this announcement, the exchange rate of US\$1.00 = HK\$7.80 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or US\$ has been, could have been or may be converted at such a rate.

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