

16 May 2025

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

Dear Sir/Madam,

**CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION  
OF NEW SHARES UNDER SPECIFIC MANDATE**

**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 Subscription Agreement and transactions contemplated thereunder (including the grant of the Specific Mandate), 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 16 May 2025 (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 11 April 2025 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for (i) the First Tranche Subscription Shares, being 32,258,065 Shares at the Subscription Price of HK\$1.86 per Subscription Share; and (ii) the Second Tranche Subscription Shares, being up to such number of new Shares which, (1) together with the Shares held by the Subscriber and any person acting in concert with it, in aggregate represents 29.99% of the issued share capital of the Company as enlarged by the allotment and issued of First Tranche Subscription Shares and the Second Tranche Subscription Shares pursuant to the Subscription Agreement as at the Second Tranche Completion; and (2) in any event not exceeding 37,634,408 Shares, at the Subscription Price of HK\$1.86 per Subscription Share.

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

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

An Independent Board Committee comprising all the Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Yeung Chi Tat, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms and whether the Subscription Agreement and transactions contemplated thereunder (including the grant of the 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 (i) major and connected transactions, details of which are set out in the Company's circular dated 27 June 2023 (the "June 2023 Engagement"); (ii) connected transaction, details of which are set out in the Company's circular dated 1 March 2024 (the "March 2024 Engagement"); and (iii) continuing connected transaction, details of which are set out in the Company's circular dated 7 June 2024 (the "June 2024 Engagement"). Save for the June 2023 Engagement, the March 2024 Engagement, the June 2024 Engagement and our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Silver Nile Global in the past two years immediately preceding the Latest Practicable Date. Apart from the normal advisory fee payable to us in connection with our appointment for the June 2023 Engagement, the March 2024 Engagement, the June 2024 Engagement and the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were independent from, not connected with and not aware of any relationship or interests with the Company, the 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, the March 2024 Engagement and the June 2024 Engagement were only independent financial advisory engagements and will not affect our independence to act as the Independent Financial Adviser, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have reviewed, inter alia, (i) the statements, information, opinions and representations contained or referred to in the Circular; (ii) the information and representations as provided to us by the Company, the Directors and the management of the Group, including but not limited to, the Subscription Agreement; (iii) the Company's annual report for the year ended 30 June 2023 (the "AR2023") and 2024 (the "AR2024") and interim report for the six months ended 31 December 2023 (the "IR2024") and 2024 (the "IR2025"); and (iv) other relevant public information related to the Company. We have assumed that (i) all statements, information and representations provided by the Company, the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription, the 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 and the 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 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.

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 Subscription Agreement and transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate), we have considered the following principal factors and reasons:

### **1. Information of the Group**

#### *(i) Information of the Group*

With reference to the Letter from the Board, the Company is a company incorporated in the Cayman Islands with limited liability and the Group is principally engaged in three reportable business segments: (i) operation of a professional football club in the United Kingdom; (ii) new energy automobiles and related business; and (iii) investment in properties.

(ii) *Financial highlights of the Group*

Set out below is a summary of the key financial information of the Group for the financial years ended 30 June 2023 and 2024 as extracted from the AR2023 and the AR2024 and the six months ended 31 December 2023 and 2024 as extracted from the IR2024 and the IR2025 respectively.

	For the year ended 30 June		For the six months ended 31 December	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	<b>275,244</b>	<b>217,097</b>	<b>172,647</b>	<b>144,331</b>
— <i>Football club</i>	239,763	186,587	145,811	123,144
— <i>New energy automobiles and related business</i>	5,590	—	12,746	5,590
— <i>Investment in properties</i>	28,179	28,179	14,090	14,090
— <i>Healthcare and medical related business</i>	1,712	2,331	—	1,507
Operating expenses	(570,558)	(418,208)	(352,755)	(259,357)
(Loss) for the year/period attributable to the owners of the Company	(182,779)	(25,657)	(117,061)	(36,878)

*For the six months ended 31 December 2024*

The revenue of the Group increased by approximately HK\$28.32 million or 19.62% from approximately HK\$144.33 million to approximately HK\$172.65 million for the six months ended 31 December 2023 (“1H2024”) and 2024 (“1H2025”), respectively. According to the IR2025, the increase in revenue was mainly due to the increase in the revenue from football club segment and new energy automobiles and related business segment. Meanwhile, the revenue derived from the investment properties remained stable in both periods. Lastly, as disclosed in the AR2024, the Board has decided to cease the healthcare and medical related business in March 2024 due to the performance of the business failed to meet the expectation of the Group.

Despite the increase in revenue, the Group recorded a loss attributable to the owners of the Company of approximately HK\$117.06 million for 1H2025 representing an increase in loss of approximately 217.43%, or approximately HK\$80.18 million, as compared to loss of approximately HK\$36.88 million for 1H2024 mainly due to (i) decrease in broadcasting income of approximately HK\$24.62 million due to the relegation of Birmingham City Football Club to the English Football League League One this season; (ii) a decline in profit of approximately HK\$39.78 million on sales of players' registration; (iii) an increase in finance costs of approximately HK\$25.29 million mainly driven by higher borrowings; (iv) a rise in operating expenses of approximately HK\$85.13 million in Birmingham City Football Club mainly due to higher match day and commercial expenses and an increase in depreciation on property, plant, and equipment following the completion of the repair and maintenance of infrastructure and facility upgrades; and (v) an increase in selling and marketing expenses and administrative expense of approximately HK\$22.96 million of the automobiles business, which was partly offset by an increase in commercial income and match day receipts and a gain on fair value change on financial assets recorded during the period.

*For the year ended 30 June 2024*

The Group's revenue increased from approximately HK\$217.10 million for the year ended 30 June 2023 ("FY2023") to approximately HK\$275.24 million for the year ended 30 June 2024 ("FY2024"), representing an increase of 26.78%, which was mainly attributable to the increase in the revenue from football club segment and new energy automobiles and related business segment and partially offset by the decrease in the healthcare and medical related business segment that was ceased in March 2024.

Meanwhile, the loss attributable to the owners of the Company significantly increased by approximately HK\$157.12 million from approximately HK\$25.66 million for FY2023 to approximately HK\$182.78 million for FY2024 primarily due to (i) an absence of compensation from the football club segment under the profit and loss sharing arrangement between the Company and Oriental Rainbow Investments Limited (a wholly-owned subsidiary of a substantial Shareholder); (ii) an increase in finance costs; (iii) a share of loss of an associate; (iv) an increase in the Group's administrative and other expenses including, among others, staff costs and professional service fees incurred to meet with new business segment development needs; and (v) an increase in impairment of certain non-current assets, which were partly offset by (i) an increase in profit on sales of players' registration; (ii) the share of loss attributable to the owners of the Company from a non-wholly owned subsidiary decreased to approximately 51.72% after completion of the disposal of certain interests in the non-wholly owned subsidiary; (iii) a gain on fair value change on financial assets at fair value through profit or loss; and (iv) an absence of loss arising on fair value change on investment properties.

Set out below is a summary of the financial position of the Group as at 31 December 2024 and 30 June 2024 as extracted from the IR2025.

	<b>As at 31 December 2024 HK\$'000 (unaudited)</b>	<b>As at 30 June 2024 HK\$'000 (audited)</b>
Non-current assets	1,257,889	907,286
Current assets	<u>404,259</u>	<u>351,513</u>
Total assets	<u>1,662,148</u>	<u>1,258,799</u>
Current liabilities	356,965	271,407
Non-current liabilities	<u>1,258,676</u>	<u>781,493</u>
Total liabilities	<u>1,615,641</u>	<u>1,052,900</u>
Net assets	<u>46,507</u>	<u>205,899</u>

As set out in the above table, the total assets of the Group increased to approximately HK\$1,662.15 million as at 31 December 2024 which mainly consist of (i) the investment properties of residential apartments and commercial properties in Phnom Penh, Cambodia held by the Group of approximately HK\$470.7 million; (ii) property, plant and equipment of approximately HK\$317.55 million; (iii) intangible assets of approximately HK\$263.66 million; (iv) deposits, prepayments and other receivables of approximately HK\$209.16 million; and (v) bank balances and cash of approximately HK\$166.75 million.

The total liabilities of the Group also increased to approximately HK\$1,615.64 million as at 31 December 2024 which mainly comprised of (i) borrowings of approximately HK\$877.49 million; (ii) transfer fee payables of approximately HK\$192.18 million; (iii) amount due to a related party of approximately HK\$189.32 million; and (iv) accruals and other payables of approximately HK\$168.41 million.

## 2. Information of the Subscriber

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

As at the Latest Practicable Date, the Subscriber was interested in approximately 23.85% of the issued share capital of the Company.



### **3. Reasons for entering into the Subscription Agreement and benefits of the Subscription**

With reference to the Letter from the Board, the Directors consider that the Subscription represents an opportunity to raise additional funding for the business operations of the Group, in particular for the development of the new energy automobiles business, and will improve the liquidity and financial position of the Group. Considering the recent prevailing market conditions and market price of the Shares, the Directors consider that the Subscription would be appropriate in order to replenish the Company's cash resources for the above intended purposes, which would be important for the promotion of the Group's long-term success.

The maximum net proceeds from the Subscription will be approximately HK\$129.5 million. The Company intends to apply the net proceeds from the Subscription as follows: (i) as to approximately 70% (equivalent to approximately HK\$90.65 million) is intended to be used for the repayment of the Group's shareholders' loans. These loans comprise revolving credit facilities extended by substantial shareholders, with an aggregate limit of HK\$550 million and an annual interest rate of 7%, maturing on 31 December 2026; and (ii) as to approximately 30% (equivalent to approximately HK\$38.85 million) is intended to be used for general working capital purposes of the Group.

We noted that the financial performance of the Group has worsen in recent reporting years and reporting period. The Group recorded (i) loss from operations of approximately HK\$295.31 million (as compared to approximately HK\$201.11 million for FY2023) and approximately HK\$180.11 million (as compared to approximately HK\$115.03 million for 1H2024); (ii) loss attributable to the Shareholders of approximately HK\$182.78 million (as compared to approximately HK\$25.66 million for FY2023) and approximately HK\$117.06 million (as compared to approximately HK\$36.88 million for 1H2024); (iii) a decrease in net assets from approximately HK\$205.90 million as at 30 June 2024 to approximately HK\$46.51 million as 31 December 2024. In addition, according to the IR2025, the Group only had approximately HK\$166.75 million in bank balances and cash as compared to (i) the total borrowings of approximately HK\$877.49 million as at 31 December 2024; and (ii) current liabilities of approximately HK\$356.97 million as at 31 December 2024. It is also noted that the finance cost of the Group was approximately HK\$36.81 million for FY2024 and approximately HK\$47.49 million for 1H2025. Based on the preliminary estimation by the management of the Company in the repayment schedule that we have reviewed, assuming 70% of the maximum net proceeds from the Subscription is used for early settlement of the Group's borrowings, it is expected that the Group could save an aggregate of approximately HK\$9.75 million on future interest expenses per annum, which in turn reduce the financial burden on the financial performance of the Group as the Group has been making loss for FY2023, FY2024, 1H2024 and 1H2025. It is considered that the Subscription with the intended use of proceeds offers a good opportunity to strengthen the Group's working capital, liquidity positions and net assets and to facilitate the Group's future development.

According to the IR2025, the Group proactively pursued the advancement of its new energy automobiles and related business during 1H2025 including (i) the Group has established strategic cooperation with a number of renowned commercial vehicle manufacturers and expanded the Group's product lineup of zero-emission commercial vehicles, ranging from light-duty to medium and heavy-duty trucks, buses as well as special-purpose vehicles; (ii) the Group has also built business partnerships with prominent service providers to enhance the sales and customer support; and (iii) the Group has initiated its first knockdown kit assembly plant project in Cambodia to enhance the Group's



production capacity and supply chain efficiency which can further strengthen and drive its business in the Southeast Asia markets. Meanwhile, the revenue generated from new energy automobiles and related business segment has increased from approximately HK\$5.59 million in 1H2024 to approximately HK\$12.75 million in 1H2025. We are being advised that in response to the challenges in current business environment, the Group has strategically prioritised the new energy automobiles and related business segment with focus on driving revenue growth, optimising costs, and improving operational efficiency, which ultimately enhancing the Group's financial performance. Having taking into consideration the above, in particular the bank balances and cash level of the Group and the recent business performance of new energy automobiles and related business segment, we are of the view that it is reasonable for the Company to prepare additional funding for the business operations and for the promotion of the Group's long-term success.

We are given to understand from the management of the Company that the Board has considered other alternative financing methods instead of the Subscription, including debt financing methods (such as bank or other borrowings) and other means of equity financing methods (such as rights issue or open offer).

Regarding the debt financing, further borrowings would create additional interest burden for the Group and the negotiation process with the relevant banks may be lengthy given the loss making financial position of the Group for FY2024 and 1H2025, as well as increasing the gearing ratio of the Group. Given the Group had approximately HK\$877.49 million of borrowings as at 31 December 2024, of which approximately HK\$359.11 million were obtained during the six months ended 31 December 2024, it is likely that the banks or lenders would impose more stringent conditions or offer less favourable terms in light of the recent market volatility. Also, having taken into account that the Company intends to apply part of the net proceeds from the Subscription for repayment of the Group's liabilities to lower finance costs, it is considered that debt financing is not an optimal financing method.

In respect of other means of equity financing methods, although the existing Shareholders would be able to maintain their pro rata shareholding in the Company, these fund-raising methods would need a relatively longer timeframe to complete, as there would be relatively lengthy preparation work for issuing listing document. Furthermore, given (i) the relatively thin trading volume of the Shares; (ii) the market prices of the Shares had been gradually decreasing in the last 12 months; (iii) recent market sentiment and the current adverse market environment due to external economic downward pressure, the Company may have difficulties in seeking underwriter; and (iv) if the rights issue or open offer is not underwritten, its results will be uncertain.

Furthermore, the Subscription reflects the confidence and commitment of the substantial Shareholder, who upon the completion of the Subscription will become the largest shareholder, towards the long term and sustainable development of the Company, and that the continuing support of the largest Shareholder is crucial to ensure the business stability and long term development of the Group. Reference is made to the shareholding table in the section headed "EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Letter from the Board, the Previous Subscriptions and the Subscription, in aggregate, represent an accumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.31% to the shareholding of existing public shareholders. However, the Group will be able to reduce

approximately 10.33% of its interest-bearing liabilities upon the utilisation of the proceeds from the Subscription and be released from applicable future interest expenses, we are of the view that, despite the minimal dilution to the shareholding of public Shareholders, the intended use of net proceeds is in the interest of the Company and the Shareholders as a whole.

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

#### **4. Principal terms of the Subscription Agreement**

Set out below is the summary of the principal terms of the Subscription Agreement:

- |                            |   |  |
|----------------------------|---|--|
| Date                       | : | 11 April 2025 (after trading hours)  |
| Parties                    | : | The Company as issuer; and<br><br>The Subscriber as subscriber.  |
| Nature of the Subscription | : | The Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for:<br><br>(i) the First Tranche Subscription Shares, being 32,258,065 Shares at the Subscription Price, representing approximately 3.78% of the total number of Shares in issue as at the Latest Practicable; and<br><br>(ii) the Second Tranche Subscription Shares, being up to such number of new Shares which, (1) together with the Shares held by the Subscriber and any person acting in concert with it, in aggregate represents 29.99% of the issued share capital of the Company as enlarged by the allotment and issued of First Tranche Subscription Shares and the Second Tranche Subscription Shares pursuant to the Subscription Agreement as at Second Tranche Completion; and (2) in any event not exceeding 37,634,408 Shares, representing approximately 4.41% of the total number of Shares in issue as at the Latest Practicable Date, at the Subscription Price. |
| Subscription Price         | : | HK\$1.86 per Subscription Share.   |

With reference to the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to (i) the prevailing market price of the Shares; (ii) the recent trading volume of the Shares; (iii) the prevailing market conditions; and (iv) the recent performance and prospect of the Group's business, and is equal to the placing price of the placing shares under the Placing.

Please refer to the Letter from the Board for further details.

Payment terms : The aggregate Subscription Price shall be payable by the Subscriber to the Company in cash at the First Tranche Completion and the Second Tranche Completion, respectively.

Subscription Shares : Pursuant to the Subscription Agreement,

- (i) 32,258,065 Shares under the First Tranche Subscription Shares. Based on a nominal value of HK\$0.25 per Share, the aggregate nominal value of the First Tranche Subscription Shares will be HK\$8,064,516.25; and
- (ii) a maximum of 37,634,408 Shares under the Second Tranche Subscription Shares. Based on a nominal value of HK\$0.25 per Share, the aggregate nominal value of the maximum number of the Second Tranche Subscription Shares will be HK\$9,408,602.

The Subscriber shall not be required to subscribe for, and the Company shall not be required to issue, new Shares if and only to the extent that the subscription and issue of such new Shares will result in (i) failure of the Company to meet the minimum public float requirements under the Listing Rules; and/or (ii) the Subscriber or any person acting in concert with it being required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares and other securities of the Company held by the other Shareholders. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no person acting in concert with the Subscriber as at the Latest Practicable Date.

Ranking of the Subscription Shares : The First Tranche Subscription Shares and the Second Tranche 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 First Tranche Subscription Shares and the Second Tranche Subscription Shares, respectively.

Conditions precedent of the Subscription Agreement : Completion of the 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 EGM approving the 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 Subscription Shares (and such listing and permission not subsequently being revoked).

The conditions precedent cannot be waived.

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

Completion : Completion of the subscription of the First Tranche Subscription Shares shall take place on the First Tranche Completion Date, being the fifth Business Day after all of the conditions precedent have been fulfilled (or such later date as the Company and the Subscriber may agree in writing).

Completion of the subscription of the Second Tranche Subscription Shares shall take place on the Second Tranche Completion Date, being the tenth Business Day after the First Tranche Completion Date (or such later date as the Company and the Subscriber may agree in writing).

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

### ***Evaluation on the Subscription Price***

As set out in the Letter from the Board, the Subscription Price represents:

- (i) a discount of approximately 27.63% to the closing price of HK\$2.570 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 19.83% to the closing price of HK\$2.320 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement (the “Last Trading Day”);
- (iii) a discount of approximately 18.13% to the average closing price of HK\$2.272 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 21.55% to the average closing price of HK\$2.371 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (v) a premium of approximately 334.58% over the Group’s unaudited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2024 of approximately HK\$0.428 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$364,843,000 as set out in the interim report of the Company for the six months ended 31 December 2024 and 852,891,419 Shares in issue as at the Latest Practicable Date.

In assessing the fairness and reasonableness of the Subscription Price, we have reviewed relevant information and performed the following analysis:

#### ***(a) Historical Share price performance***

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 12 April 2024 up to and including the Last Trading Day (the “Review Period”), being a period of 12 months prior to the Last Trading Day. We consider that the Review Period represents a reasonable period to provide a general overview of the historical trend of the Share price when assessing the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders had expected, while that after the Announcement, the value may have taken into account the potential effect of the Subscription, and the Placing, which may distort the analysis.

### Historical daily closing price per Share



Source: The Stock Exchange

As illustrated in the chart above, the Share price closed in a range between HK\$3.60 and HK\$1.83 per share during the Review Period, with an average closing price of approximately HK\$2.64 per Share.

During the Review Period, the closing price of the Share showed a general downward trend from HK\$3.60 on 12 April 2024 and closed at HK\$2.32 on the Last Trading Day. There were certain relatively intense movements within short period of trading days in the closing price of the Share during the Review Period, i.e. (i) the closing price of the Share increased from HK\$3.03 on 9 July 2024 to HK\$3.53 on 16 July 2024 (representing an increase of approximately 16.50%) and dropped to HK\$3.00 on 25 July 2024 (representing a decrease of approximately 15.01%); (ii) the closing price of the Share increased from HK\$1.85 on 23 September 2024 to HK\$2.49 (representing an increase of approximately 34.59%) on 30 September 2024 but subsequently decreased to HK\$1.95 on 8 October 2024 (representing a decrease of approximately 21.69%); (iii) the closing price of the Share increased approximately 25.10%, from HK\$2.39 on 27 November 2024 to HK\$2.99 on 2 December 2024; and (iv) the closing price of the Share decreased from HK\$2.33 on 28 January 2025 to HK\$1.83 on 6 February 2025 (representing a decrease of approximately 21.46%). In this regard, we did not notice any specific reasons for the fluctuation in the closing prices of the Share during these periods. As advised by the management of the Company, the Company is also not aware of any other reasons for the aforementioned Share price fluctuations.

It is noted that the Subscription Price has been lower than most of the closing price of the Shares during the Review Period, nonetheless, having considered (i) the closing price of the Shares has been decreasing during the Review Period; (ii) the low liquidity of the Shares as discussed in the section headed “(b) Historical trading liquidity of the Shares” below; (iii) the market research results on the



subscription price of recent similar transactions as discussed in the section headed “(c) Comparison with recent connected transaction in relation to subscription of shares” below; and (iv) the reasons for entering into the Subscription Agreement and benefits of the Subscription, in particular the reduction in finance cost upon repayment of the Group’s liabilities, as discussed in the section above, we consider that the Subscription Price being set at a discount to the prevailing market prices of the Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*(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	Average daily trading volume for the month/period	Approximate % of the average daily trading volume to total number of issued Shares held by the public as at date of the Subscription Agreement	Approximate % of the average daily trading volume to total number of issued Shares as at date of the Subscription Agreement
<b>2024</b>				
April (commencing from 12 April 2024)	13	2,624,830	0.9978%	0.3220%
May	21	1,607,146	0.6109%	0.1971%
June	19	3,212,898	1.2213%	0.3941%
July	22	2,438,800	0.9271%	0.2991%
August	22	2,412,641	0.9171%	0.2959%
September	19	2,793,772	1.0620%	0.3427%
October	21	2,413,964	0.9176%	0.2961%
November	21	1,622,399	0.6167%	0.1990%
December	20	2,487,232	0.9455%	0.3051%
<b>2025</b>				
January	19	2,701,437	1.0269%	0.3314%
February	20	2,892,481	1.0995%	0.3548%
March	21	2,965,681	1.1273%	0.3638%
April (up to and including the Last Trading Day)	8	2,700,765	1.0266%	0.3313%
Average			0.9613%	0.3102%

*Source: The Stock Exchange*

We noted from the above table that the average daily trading volume of the Shares for each month during the Review Period was very few and scattered during the Review Period ranged from (i) 0.6109% to 1.2213% of the total number of issued Shares held in public hands as at the date of the Subscription Agreement; and (ii) 0.1971% to 0.3941% of the total number of issued Shares as at the date of the Subscription Agreement. It is considered that the overall trading volume of the Shares during the Review Period was relatively thin after taking into consideration the fact that (i) the

average daily trading volume of the issued Shares for the Review Period was only approximately 0.9613% of the total number of issued Shares held by the public as at the date of the Subscription Agreement and approximately 0.3102% of the total number of issued Shares as at the date of the Subscription Agreement; and (ii) during the Review Period, the average trading volume of the issued Shares for each month was all below 1.25% to the total number of issued Shares held by the public as at the date of the Subscription Agreement and below 0.40% to total number of issued Shares as at the date of the Subscription Agreement.

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)), i.e. for illustrative purpose only, based on 69,892,473 Subscription Shares to be issued under the Subscription and the average daily trading volume of the Company for April 2025 (up to and including the Last Trading Day) of 2,700,765 Shares, it would require approximately 26 trading days to dispose the Subscription Shares on the market, with no guarantee on the disposal price, and may require more time to seek enough potential investors if any, to cover the amount of proceeds under the Subscription, we are of the view that it is reasonable to set the Subscription Price at a discount to the closing price of the Share as at the Last Trading Day.

*(c) Comparison with recent connected transaction in relation to subscription of shares*

In order to further assess the fairness and reasonableness of the Subscription Price, we have identified, on a best effort basis, an exhaustive list of five new ordinary share issues for cash under specific mandate (the “Comparable Issues”) announced during the period from 12 October 2024 up to the Last Trading Day (being a six-month period immediately prior to and including the Last Trading Day) by companies listed on the Stock Exchange, which involve placing/subscription/issue of new shares for cash 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, H shares or domestic shares as (i) the Company is not an issuer of A shares or H Shares; and (ii) the basis in determining the placing/subscription/issue price in such transaction may subject to other factors and/or conditions which are not applicable to the Subscription and had not been lapsed or terminated up to the Latest Practicable Date, so as to identify transactions that are in the same nature as the Subscription.

After considering (i) the average monthly turnover of securities traded on the Stock Exchange from October 2024 to March 2025 was approximately HK\$4,358.40 billion, which is approximately 27.77% higher than average monthly turnover of securities traded on the Stock Exchange from April 2024 to March 2025 of approximately HK\$3,411.03 billion, indicating noticeable difference in market conditions and sentiment; (ii) the comparable period is close to the date of Subscription Agreement such that the Comparable Issues are under similar and recent market conditions and sentiment; and (iii) reasonable number of samples have been identified for the purpose of our analysis, we are of the view that a review period of six months is appropriate and adequate and able to provide the Independent Board Committee and the Independent 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 Subscription.

Nevertheless, the Independent Board Committee and the Independent Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the issuers of the Comparable Issues and we have not conducted any in-depth investigation into the businesses, operations and prospects of the issuers of the Comparable Issues.

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.

Company Name (Stock code)	Date of announcement	(Discount) of the subscription price to the closing price per share on the last trading day or date of the corresponding subscription agreement	(Discount) of the subscription price to the average closing price of the last 5 trading days prior to the date of the corresponding announcement	(Discount) of the subscription price to the average closing price of the last 10 trading days prior to the date of the corresponding announcement
Honbridge Holdings Limited (8137)	17 Oct 2024	(75.00%)	(77.01%)	(73.47%)*
Zhi Sheng Group Holdings Limited (8370)	21 Oct 2024	(60.53%)	(60.63%)	(58.79%)*
China Resources Power Holdings Company (836)	23 Oct 2024	(5.06%)	(3.48%)	(3.98%)
DevGreat Group Limited (755)	3 Dec 2024	(18.75%)	(17.72%)	(20.25%)*
True Partner Capital Holding Limited (8657)	29 Dec 2024	(13%)	(13%)	(13%)
	Maximum	(5.06%)	(3.48%)	(3.98%)
	Minimum	(75.00%)	(77.01%)	(73.47%)
	Average	(34.47%)	(34.37%)	(33.90%)
	Median	(18.75%)	(17.72%)	(20.25%)
<b>The Subscription</b>		(19.83%)	(18.13%)	(21.55%)

Source: The Stock Exchange

\* Calculated based on information obtained from the website of the Stock Exchange

According to the above table, we noted that the discount of the Subscription Price was:

- within the range of the Comparable Issues from discount of approximately 75.00% to 5.06%, below the average discount of 34.47% and close to the median discount of 18.75% of the Comparable Issues as compared with their respective closing prices on the last trading day or date of the corresponding subscription agreement;
- within the range of the Comparable Issues from discount of approximately 77.01% to 3.48%, below the average discount of 34.37% and close to the median discount of 17.72% of the Comparable Issues as compared with their respective closing prices on the last five trading days prior to the date of the corresponding announcement; and

- within the range of the Comparable Issues from discount of approximately 73.47% to 3.98%, below the average discount of 33.90% and close to the median discount of 20.25% of the Comparable Issues as compared with their respective closing prices on the last ten trading days prior to the date of the corresponding announcement.

Taking into consideration, (i) the discount of the Subscription Price to the then recent closing price of the Share is smaller than the average discount, and close to the median discount, of the Comparable Issues to the corresponding closing prices of respective issuers of the Comparable Issue; (ii) subscription price of all Comparable Issues represented discount to the then recent closing prices of its shares; (iii) the Company has a need to raise funding from the Subscription for the repayment of the liabilities and the Subscription is appropriate fund-raising method currently available to the Group; (iv) the general downward trend of the closing price of the Share during the Review Period; (v) the overall trading volume of the Shares during the Review Period was limited; (vi) other reasons for entering into the Subscription Agreement and benefits of the Subscription; and (vii) the net losses recorded by the Group in each of the five financial years ended 30 June 2024, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

## **5. Effects on shareholding structure of the Company**

According to the table set out under the sub-section headed “Effect of the subscription on the shareholding structure of the Company” of the Letter from the Board, the shareholding interests of the existing public Shareholders in the Company would decrease from approximately 35.26% as at the Latest Practicable Date to (i) approximately 33.97% immediately after the First Tranche Completion; (ii) approximately 32.59% immediately after the First Tranche Completion and Second Tranche Completion, assuming no other change in the issued share capital of the Company other than the issue of Subscription Shares.

In this regard, taking into account (i) the reasons for and benefits of the Subscription; (ii) the accumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.31% as a result of the Previous Subscriptions and the Subscription; and (iii) the terms of the Subscription Agreement, including the allotment and issue of the Subscription Shares under the Specific Mandate and transaction contemplated thereunder being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Subscription is acceptable.

## **6. Financial effects of the Subscription**

According to the IR2025, the unaudited consolidated net asset value and cash and cash equivalents of the Group amounted to approximately HK\$46.51 million and approximately HK\$166.75 million as at 31 December 2024, respectively.

The maximum net proceeds of the Subscription, after the deduction of the estimated related expenses, are estimated to be approximately HK\$129.5 million, subject to the final amount of Subscription Shares to be issued to the Subscriber. 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 Subscription. Accordingly, the cash positions and current ratio of the Group are expected to be improved upon completion of the Subscription.

As set out in the Letter from the Board, the Company intends to utilise approximately 70% of the net proceeds from the Subscription for the repayment of the Group's Shareholders' Loan. 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 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 Subscription.

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

## **RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription Agreement and the transactions contemplated thereunder (including the grant of 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. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve each of the Subscription Agreement and transactions contemplated thereunder (including the grant of 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 of Hong Kong and a responsible officer of Silver Nile Global Investments Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 12 years of experience in corporate finance advisory in Hong Kong.*