
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 Birmingham Sports Holdings Limited, 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 the securities mentioned herein.



BIRMINGHAM SPORTS HOLDINGS LIMITED

伯明翰體育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

- (1) MAJOR AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF PROPERTIES IN CAMBODIA;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(3) CONTINUING CONNECTED TRANSACTION RELATING
TO LEASE OF PROPERTIES IN CAMBODIA;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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 21 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 22 to 23 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 24 to 54 of this circular.

A notice convening the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6 December 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of 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 in person 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.

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

20 November 2018

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 August 2018 in relation to, among other things, the Transactions
“Annual Caps”	the proposed annual caps for transactions contemplated under the Master Lease Agreement for the three years ending 30 June 2019, 2020 and 2021
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Block”	collectively, the Properties and the Remaining Properties
“Board”	the board of Directors
“Building”	the building with gross floor area of approximately 5,674.59 sq.m. for commercial and educational use in One Park owned by the Group
“Business Day(s)”	a day other than Saturday, Sunday and public holidays in Cambodia
“Cambodia”	the Kingdom of Cambodia
“Celestial Fame”	Celestial Fame Investments Limited (天譽投資有限公司), whose information is set out in the section headed “Letter from the Board – Information on the parties – Celestial Fame” of this circular
“Company”	Birmingham Sports Holdings Limited (伯明翰體育控股有限公司), a 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
“Completion”	completion of the Long Term Lease Agreement in accordance with the terms thereof
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	approximately US\$16.3 million (equivalent to approximately HK\$127.2 million), being the consideration payable by Deep Blue under the Long Term Lease Agreement
“Consideration Share(s)”	832,610,000 new Shares to be allotted and issued by the Company at the Issue Price to satisfy the Consideration

DEFINITIONS

“Deep Blue”	Deep Blue Trade (Cambodia) Co., Ltd., whose information is set out in the section headed “Letter from the Board – Information on the parties – Deep Blue” of this circular
“Delivery Date”	has the meaning as described in the section headed “Letter from the Board – Long Term Lease Agreement – Delivery of the Block” of this circular
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6 December 2018 at 10:30 a.m. for considering, and if thought fit, approving the resolutions as set out in the EGM Notice
“EGM Notice”	the notice convening the EGM which is set out on pages EGM-1 to EGM-3 of this circular
“Equity SPA”	the sale and purchase agreement dated 30 June 2017 entered into between, among others, the Company and Ever Depot relating to the acquisition of the entire issued share capital of Celestial Fame at a consideration of approximately US\$9.7 million
“Ever Depot”	Ever Depot Limited (永聚有限公司), whose information is set out in the section headed “Letter from the Board – Information on the parties – Ever Depot” of this circular
“Extended Term”	has the meaning as described in the section headed “Letter from the Board – Long Term Lease Agreement – Term” of this circular
“GRED”	Graticity Real Estate Development Co., Ltd., whose information is set out in the section headed “Letter from the Board – Information on the parties – GRED” of this circular
“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 as to the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders other than GRED and its associates (including Ever Depot)
“Independent Third Party(ies)”	third party(ies) which is (are) independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Independent Valuer”	JP Assets Consultancy Limited, an independent valuer appointed by the Group
“Initial Term”	has the meaning as described in the section headed “Letter from the Board – Long Term Lease Agreement – Term” of this circular
“Issue Price”	the issue price of HK\$0.0947 per Consideration Share
“Last Trading Day”	28 August 2018, being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Practicable Date”	16 November 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2018 (or such other date as the relevant parties may agree)
“Long Term Lease Agreement”	the Long Term Lease Agreement dated 28 August 2018 entered into between GRED and Deep Blue as more particularly described in the section headed “Letter from the Board – Long Term Lease Agreement” of this circular
“Master Lease Agreement”	the Master Lease Agreement dated 28 August 2018 entered into between Celestial Fame and Ever Depot as more particularly described in the section headed “Letter from the Board – Master Lease Agreement” of this circular
“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

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties acquired by Deep Blue from GRED pursuant to the Properties SPA, 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 4,456 sq.m.; and (ii) 48 residential apartments at Block C of One Park with total saleable area of approximately 4,680.64 sq.m.
“Properties SPA”	the property sale and purchase agreement dated 30 June 2017 entered into between Deep Blue and GRED in relation to the acquisition of the Properties by Deep Blue from GRED
“Remaining Properties”	the properties which are more particularly described in the section headed “Letter from the Board – Long Term Lease Agreement – the Remaining Properties” of this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	collectively, the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent
“sq.m.”	square meter

For illustration purposes, amounts in US\$ in this circular have been translated into HK\$ at the rate of US\$1.0 = HK\$7.8.

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

LETTER FROM THE BOARD



BIRMINGHAM SPORTS HOLDINGS LIMITED

伯明翰體育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

Executive Directors:

Mr. Zhao Wenqing (*Chairman*)
Mr. Huang Dongfeng (*Chief Executive Officer*)
Ms. Chan Yuk Yee
Mr. Yiu Chun Kong
Mr. Hsiao Charng Geng

Non-executive Director:

Mr. Sue Ka Lok

Independent Non-executive Directors:

Mr. To Yan Ming, Edmond
Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine

Registered office:

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

Principal place of business in Hong Kong:

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

20 November 2018

To the Shareholders

Dear Sir or Madam,

- (1) MAJOR AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF PROPERTIES IN CAMBODIA;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(3) CONTINUING CONNECTED TRANSACTION RELATING
TO LEASE OF PROPERTIES IN CAMBODIA;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 28 August 2018, the Board announced that (i) Deep Blue (an indirect wholly-owned subsidiary of the Company) has entered into the Long Term Lease Agreement with GRED, pursuant to which GRED has agreed to lease the Remaining Properties to Deep Blue; and (ii) Celestial Fame (an indirect wholly-

LETTER FROM THE BOARD

owned subsidiary of the Company) has entered into the Master Lease Agreement with Ever Depot (a wholly-owned subsidiary of GRED), pursuant to which Celestial Fame has agreed to lease (or procure the lease of) the Building and the Block to Ever Depot.

The purpose of this circular is to provide you with, among other things, (i) details of the Transactions; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the financial information of the Group; (v) the independent valuation report of the Remaining Properties; and (vi) the EGM Notice.

LONG TERM LEASE AGREEMENT

Principal terms of the Long Term Lease Agreement are set forth below:

- Date : 28 August 2018
- Parties : (1) GRED as lessor; and
(2) Deep Blue as lessee.
- Subject matter : GRED has conditionally agreed to lease to Deep Blue and Deep Blue has conditionally agreed to lease from GRED the Remaining Properties.
- The Remaining Properties : The Remaining Properties, which are located within and form part of One Park, comprise (i) 22 residential apartments on four floors and all areas on three floors at Block C of One Park with total saleable area of approximately 3,468.15 sq.m.; and (ii) portion of the podium and corridor connected to the main building of the condominium with saleable area of approximately 1,791.34 sq.m.
- The Remaining Properties were under construction as of the Latest Practicable Date. GRED has undertaken to complete and deliver the Remaining Properties in compliance with the construction specifications set out in the Long Term Lease Agreement. GRED shall bear the costs of the construction of the Remaining Properties until the completion of the construction.
- The Remaining Properties had not generated any income as at the Latest Practicable Date as the Block was under construction.
- Term : An initial term of fifty (50) years commencing from the Delivery Date (the “Initial Term”). At the sole option of Deep Blue, the Initial Term may be extended for such period(s) as determined by Deep Blue under the same terms and conditions as contained in the Long Term Lease Agreement (the “Extended Term”), provided always that save for payment of the consideration under the Long Term Lease Agreement on Completion, Deep Blue shall not be required to pay any rent for the Extended Term.

LETTER FROM THE BOARD

Consideration : Approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) shall be satisfied as follows:

- (1) as to US\$10.1 million (equivalent to approximately HK\$78.8 million) by the allotment and issue of the Consideration Shares to GRED (or its nominee(s)) at the Issue Price on Completion; and
- (2) as to US\$6.2 million (equivalent to approximately HK\$48.4 million) by cash payable no later than seven (7) Business Days following the Delivery Date.

In the event Deep Blue does not exercise its right to extend the term of the lease after the Initial Term, there will not be any refund of the Consideration paid.

The Consideration was determined after arm's length negotiations between the Company and GRED taking into account, among other things, (i) the preliminary valuation conducted by the Independent Valuer regarding the fair market value of the Remaining Properties (on completion basis) of approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 July 2018; (ii) the consideration paid by the Company in the acquisition of the Properties; and (iii) the reasons for and benefits of the transactions as described in the section headed "Reasons for and benefits of the transactions" of this letter. Given that GRED shall complete the construction of the Remaining Properties and bear the costs of the construction, the Directors consider that the preliminary valuation on completion basis is relevant in determining the Consideration. The Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at 30 June 2018, the Group's bank balance and cash were approximately HK\$69.2 million and undrawn borrowing facilities were approximately HK\$238.8 million. As the cash consideration is payable within seven (7) Business Days following the Delivery Date which is expected to be in or about August 2019, the Group intends to fund the payment of the cash consideration by internally available resources, borrowings and/or equity fund raising having considered its then financial position.

Non-disposal undertaking and escrow arrangement : GRED has irrevocably and unconditionally undertaken to the Company that in the period commencing on the Completion Date and ending on the Delivery Date, it shall not and shall procure that its nominee(s) shall not dispose of, nor enter into any agreement to dispose of, any of the Consideration Shares. Besides, the share certificates of the Consideration Shares will be held by the Company's legal adviser in escrow, which will be released to GRED (or its nominee(s)) within three (3) Business Days from the Delivery Date.

LETTER FROM THE BOARD

Delivery of the Block : GRED has undertaken to complete the construction of the Block on or before 31 August 2019 or such other date as GRED and Deep Blue may agree in writing. Upon completion of the construction of the Block, GRED shall notify Deep Blue to carry out physical inspection of the Block against the construction specifications set out in the Long Term Lease Agreement. Physical inspection shall be carried out on a date (the "Delivery Date") which shall not be later than fifteen (15) Business Days after the receipt of such notification by Deep Blue or such other date which the lessor and the lessee may agree in writing. Once any defect or non-compliant items are found during inspection, GRED will take every step to ensure that such rectification requirements are met within fifteen (15) Business Days following the inspection.

The construction specifications set out in the Long Term Lease Agreement cover project descriptions of One Park including location, total number of residential units, common area and parking spaces; building descriptions of the Block including units on each floor and saleable area; and apartment specifications including flooring, wall and ceiling of corridors and apartments, size of windows and doors, fittings, equipment, finishes, installations and appliances, plumbing and sanitary ware of bathrooms and kitchen appliances. It is envisaged that at delivery of the Block, the Group's personnel will assess fulfillment of the construction specifications by carrying out inspection and cross checking and will, when appropriate, seek assistance from relevant professional advisers.

The delivery date of the Properties as set forth in the Properties SPA shall be extended from 31 August 2018 to 31 August 2019 or such other date as GRED and Deep Blue may agree in writing.

Pursuant to the Properties SPA, GRED has undertaken to complete the construction of the Properties on or before 31 August 2018. The Block has been topped up with its infrastructure completed in or about February 2018. In or about April 2018, GRED has inquired with the Group as to its interest in purchasing the Remaining Properties, remodeling the Block as service apartments and leasing the Building and the Block to GRED. It is estimated that the remodeling of the Block as service apartments will extend the construction period to mid-2019. In assessing the proposed delivery time of August 2019, the Group has carried out site visits at One Park, considered the remodeling work to be carried out in the Block, the tentative timeframe and discussed with the management of GRED. The Group understands that, based on the then construction progress, should the remodeling of the Block is not agreed by the Group, GRED believes that the Properties would be delivered to the Group by the original agreed time of 31 August 2018. The Group has also reviewed the delivery records of phase one of One Park and performed site visits. The Group understands that phase one of One Park has started delivery as scheduled. The Group has been advised by its legal advisers as to Cambodian law that there are no legal proceedings in the Cambodian courts regarding late delivery of properties in One Park. The Group found the delivery time of 31 August 2019 of the Block a reasonable estimation. Hence, the Group and GRED agreed in the Long Term Lease Agreement the extension of the delivery date of the Properties.

LETTER FROM THE BOARD

Should GRED is not able to deliver the Block to the Group within the agreed time, it will amount to a breach of contract and the Group is entitled to commence legal proceedings against GRED for damages.

Given that (i) cash portion of the Consideration in the sum of US\$6.2 million (equivalent to approximately HK\$48.4 million) is payable no later than seven (7) Business Days following the Delivery Date; and (ii) the Consideration Shares are subject to the non-disposal undertaking of GRED as described in the section headed “Long Term Lease Agreement – Non-disposal undertaking and escrow arrangement” above, the Company considers that the risk arising from any delay in delivery of the Block is safeguarded.

As at the Latest Practicable Date, the Group was not aware of any breach or potential breach of the terms of the Properties SPA by GRED.

The Group believes that the purchase of the Remaining Properties while they are under construction will benefit the Group by virtue of (i) the purchase price which represents a discount of approximately 5.8% to the fair market value of the Remaining Properties as at 31 August 2018; (ii) the expected appreciation in value through owning the entire Block; and (iii) the ease of managing the Block in future. Although the allotment and issue of the Consideration Shares will result in an immediate dilution of the shareholding of the existing Shareholders before delivery of the Block, the transaction will benefit the Company and the Shareholders as a whole in the long run taking into account the aforesaid benefits and the reasons as further described in the section headed “Reasons for and benefits of the transactions” of this letter.

Conditions
precedent

: Completion shall be subject to and conditional upon:

- (1) the execution of the Master Lease Agreement by the parties thereto;
- (2) the delivery by GRED to Deep Blue of a Cambodian legal opinion dated the Completion Date in relation to the Long Term Lease Agreement, the Master Lease Agreement and the Block in form and substance satisfactory to Deep Blue;
- (3) the passing of the resolution(s) by the Independent Shareholders in the EGM approving the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated hereunder and thereunder;
- (4) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (5) there has been no material breach of or materially inconsistent with any of the terms and/or the warranties given by GRED under the Long Term Lease Agreement by GRED at any time from the date of the Long Term Lease Agreement up to and including the Completion Date; and

LETTER FROM THE BOARD

- (6) all necessary consents, approvals and authorisations having been obtained from all relevant authorities in Cambodia and in any other applicable jurisdiction in connection with the transactions contemplated under the Long Term Lease Agreement, the Master Lease Agreement and the implementation of the transactions contemplated thereunder and all other matters incidental hereto and thereto.

Deep Blue shall be entitled at its absolute discretion at any time on or before the Long Stop Date by notice in writing to GRED to waive any of the conditions (save and except the conditions precedent (3), (4) and (6) above, which cannot be waived) either in whole or in part. In the event any of the conditions that are not waived either in whole or in part by Deep Blue shall not be fulfilled by 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Long Term Lease Agreement shall be null and void and of no further effect and no party shall have any further liability to the other party under or in connection with the Long Term Lease Agreement without prejudice to the rights of any party in respect of any antecedent breaches.

As at the Latest Practicable Date, condition precedent (1) above had been satisfied.

In the event that the Long Term Lease Agreement is terminated in accordance with its terms, the Properties SPA shall remain in full force and effect. It is envisaged that the remodeling of the Block will still be carried out and Deep Blue shall be entitled to the delivery of the Properties in accordance with the terms of the Properties SPA by the extended delivery date of August 2019.

Completion Date : Within three (3) Business Days immediately after fulfillment (or waiver, as the case may be) of the conditions (save and except conditions precedent (2), (5) and (6) above which shall be fulfilled on the Completion Date).

FINANCIAL EFFECTS

Based on the unaudited pro forma statement of assets and liabilities of the Group set forth in Appendix II to this circular, it is expected that upon completion of the transactions contemplated under the Long Term Lease Agreement, there will be (i) an increase in non-current assets of approximately HK\$134.9 million, being the fair value of the Remaining Properties with reference to the independent valuation report issued by the Independent Valuer as set out in Appendix III to this circular; and (ii) an increase in current liabilities of approximately HK\$48.4 million, being the amount due to GRED under the Long Term Lease Agreement.

It is expected that earnings will be generated for the Group in the long run from the lease of the Block pursuant to the Master Lease Agreement.

According to the audited financial statements of the Group for the year ended 30 June 2018, cash and cash equivalents of the Group as at 30 June 2018 amounted to approximately HK\$69.2 million. Part of the Consideration in the amount of US\$6.2 million (equivalent to approximately HK\$48.4 million) will be satisfied by cash no later than seven (7) Business Days following the Delivery Date. Given that the Delivery Date is expected to be in or about August 2019, there will not be any immediate material adverse impact on the liquidity of the Group upon Completion.

LETTER FROM THE BOARD

CONSIDERATION SHARES

The Consideration Shares, being 832,610,000 new Shares, will be issued at the Issue Price (i.e., HK\$0.0947 per Share), which was determined after arm's length negotiations between the Company and GRED with reference to the then market prices of the Shares. Based on the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day, the aggregate market value of the Consideration Shares is approximately HK\$84.1 million.

As at the Latest Practicable Date, the Company had 10,974,071,672 Shares in issue. The Consideration Shares represent:

- (i) approximately 7.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 7.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price represents:

- (i) a discount of approximately 6.2% to the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.9% to the average closing price of HK\$0.1028 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a discount of approximately 4.3% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Immediately following the allotment and issue of the Consideration Shares, GRED and its associates will own approximately 24.72% of the enlarged issued share capital of the Company. The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

According to the independent valuation report issued by the Independent Valuer as set out in Appendix III to this circular, the total fair market value of the Remaining Properties (on completion basis) was approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 August 2018. In determining the Issue Price, the Company and GRED have taken into account that the Consideration represents a discount of approximately 5.8% to the fair market value of the Remaining Properties. Having considered such discount to the fair market value and the reasons for the benefits of the Transactions as described in the section headed "Reasons for and benefits of the Transactions" of this letter, the Directors consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the changes in the shareholding structure of the Company immediately after the allotment and issue of the Consideration Shares:

Name of Shareholder	As at the Latest Practicable Date		Immediately after allotment and issue of the Consideration Shares	
	Number of Shares	Approximate percentage of issued Share	Number of Shares	Approximate percentage of issued Share
Trillion Trophy Asia Limited ^(Note 1) GRED and its associates	3,825,000,000	34.86%	3,825,000,000	32.40%
(including Ever Depot) ^(Note 2)	2,086,551,000	19.01%	2,919,161,000	24.72%
Dragon Villa Limited ^(Note 3)	2,094,366,000	19.08%	2,094,366,000	17.74%
Public Shareholders	<u>2,968,154,672</u>	<u>27.05%</u>	<u>2,968,154,672</u>	<u>25.14%</u>
	<u>10,974,071,672</u>	<u>100.00%</u>	<u>11,806,681,672</u>	<u>100.00%</u>

Notes:

- (1) Trillion Trophy Asia Limited is a wholly-owned subsidiary of Wealthy Associates International Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul.
- (2) GRED is wholly-owned by Mr. Vong Pech. Ever Depot is a wholly-owned subsidiary of GRED.
- (3) Dragon Villa Limited is wholly-owned by Mr. Lei Sutong.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date (i) save for their respective shareholding in the Company, the existing substantial Shareholders, namely Trillion Trophy Asia Limited, Ever Depot and Dragon Villa Limited, and their respective connected persons were independent among each other; and (ii) save for their respective shareholding in the Company, there was no business relationship among such existing substantial Shareholders; and (iii) there were no agreements, arrangements, understanding or intention with respect to their respective shareholding in the Company among such existing substantial Shareholders.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate controlling Shareholder, namely Mr. Suen Cho Hung, Paul, had no intention to dispose of his Shares and intended to maintain the existing football club business as the Group's principal business in the 24 months from the Latest Practicable Date.

It has been the Group's strategy to diversify its business and to broaden its revenue streams so as to create substantial value to the Shareholders. In parallel to promoting the Group's football operation, the management has been actively seeking different business opportunities for the Group. Nevertheless, the Company will review its business and business strategy from time to time, continue to explore potential business opportunities for its existing business and identify sustainable projects. Taking into account the foregoing, as at the Latest Practicable Date, the Company did not intend to partially or entirely dispose of, downscale or retreat from the existing football club business in the 24 months from the Latest Practicable Date.

LETTER FROM THE BOARD

MASTER LEASE AGREEMENT

Principal terms of the Master Lease Agreement are set forth below:

Date : 28 August 2018

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 Building and the Block to Ever Depot.

Term : The Building: three (3) years commencing from the Business Day following the fulfillment of the conditions (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot.

The Block: three (3) years commencing from the Delivery Date (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot.

Rent : US\$15 per sq.m. per month. Accordingly, the total rent of the Building and the Block equal to approximately US\$1.0 million (equivalent to approximately HK\$7.9 million) and approximately US\$2.6 million (equivalent to approximately HK\$20.2 million) per annum, respectively.

As disclosed in the circular of the Company dated 31 October 2017, (i) pursuant to the Equity SPA, GRED has agreed, guaranteed and undertaken that for the period of eight (8) years commencing from the date of takeover by Celestial Fame of the construction works of the Building, in the event the actual annualised return from investment in the Building and the land where the Building is erected is less than a guaranteed return of five percent (5%), GRED shall pay a cash amount equal to the difference between the actual annualised return and the guaranteed return; and (ii) pursuant to the Properties SPA, GRED has agreed and undertaken to procure lessee(s) and/or licensee(s) for the Properties, failing which GRED shall enter into a lease and/or license agreement for the Properties for the period of eight (8) years commencing from the delivery of the Properties and at an annualised return of not less than five percent (5%) based on the consideration payable by Deep Blue under the Properties SPA.

LETTER FROM THE BOARD

Based on the total investment costs of the Building and the Block by the Group, the rent will represent a yield of approximately 6.1% per annum, which yield exceeds the guaranteed return as set forth in the Equity SPA and the Properties SPA.

The overall rent for each of the Building and the Block 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 market rent as determined by the Independent Valuer. The Independent Valuer has assessed the market rents of the Building and the Block as at 28 August 2018. In determining the market rents, the Independent Valuer has examined comparable rentals of similar properties in the nearby vicinity, and assessed market rentals on the basis of market rent (defined as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion). The Independent Valuer has also taken into consideration the market outlook for rents of the types of properties involved, and their locations. The Independent Valuer is of the opinion that the commercial terms of the Master Lease Agreement, including the rentals, the three years lease term, which term may be renewed by agreement of Celestial Fame and Ever Depot and Celestial Fame shall be responsible for the payment of any applicable real estate tax and government levies, if any, during the lease term, are fair and reasonable and in line with current market rental levels for similar premises in similar locations.

- Conditions precedent : The obligations of Celestial Fame and Ever Depot to perform their respective obligations under the Master Lease Agreement shall be subject to and conditional upon:
- (1) the completion of the Long Term Lease Agreement;
 - (2) the passing of the resolution(s) by the Independent Shareholders in the EGM approving the Master Lease Agreement, the Long Term Lease Agreement and the transactions contemplated hereunder and thereunder; and
 - (3) all necessary consents, approvals and authorisations having been obtained from all relevant authorities in Cambodia and in any other applicable jurisdiction in connection with the transactions contemplated under the Master Lease Agreement, the Long Term Lease Agreement and the implementation of the transactions contemplated thereunder and all other matters incidental hereto and thereto.

LETTER FROM THE BOARD

In the event any of the above conditions precedent shall not be fulfilled by 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Master Lease Agreement 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 Master Lease Agreement without prejudice to the rights of any such parties in respect of any antecedent breaches.

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

ANNUAL CAPS

The proposed annual caps for the continuing connected transactions under the Master Lease Agreement for each of the three years ending 30 June 2019, 2020 and 2021 are as follows:

	Year ending 30 June		
	2019	2020	2021
US\$	681,000	3,181,000	3,613,000

The Annual Caps are determined based on the rent receivable by the Group under the Master Lease Agreement and the expected commencement of the lease of the Building and the Block in or about December 2018 (following approval by the Independent Shareholders at the EGM) and September 2019, respectively.

In or about August 2018, GRED notified the Group that the construction works of the Building were completed. The Group has carried out on-site inspection and checking and has negotiated with GRED to rectify and remedy identified defects. As at the Latest Practicable Date, the Group was finalising the delivery of the Building with GRED.

INTERNAL CONTROL MEASURES FOR THE MASTER LEASE AGREEMENT

The Group will adhere to the following internal control measures in respect of the transactions contemplated under the Master Lease Agreement:

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

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

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 investment holding.

Deep Blue

Deep Blue is a limited company incorporated in Cambodia and an indirect wholly-owned subsidiary of the Company. Deep Blue 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. As advised by GRED, Ever Depot is principally engaged in investment holding.

GRED

GRED is a limited company incorporated in Cambodia and is engaged in property development. GRED is the developer of One Park. GRED is wholly-owned by Mr. Vong Pech, a Cambodian citizen.

As at the Latest Practicable Date, Ever Depot was a substantial Shareholder owning 2,086,551,000 Shares, representing approximately 19.01% of the issued share capital of the Company. Ever Depot, GRED and Mr. Vong Pech are connected persons of the Company under the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company is engaged in investment holding and the principal activities of its major subsidiaries are the operation of a professional football club in the United Kingdom and investment in properties.

The acquisition of the Building and the Properties by the Group was completed in November 2017. During a site visit at One Park by an executive Director in or about April 2018, GRED has inquired with the Group as to its interest in purchasing the Remaining Properties, remodeling the Block as service apartments and leasing the Block and the Building to GRED. According to GRED, there has been an increasing demand by expatriates for service apartments in Phnom Penh. The proposal with respect to the Transactions was not discussed by the GRED and the Group in the course of negotiation in 2017 and was first put forward by GRED in or about April 2018. The management of the Group has assessed the proposal of GRED as a whole and has had discussions and negotiations with GRED. The Board eventually approved the Transactions and the Group entered into the Long Term Lease Agreement and the Master Lease Agreement with GRED on 28 August 2018. Other than the Transactions, there were no proposals with respect to One Park which are under negotiation by the Group and GRED as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Company has carried out the following due diligence works, among others, to assess the Transactions (i) carried out site visits in Cambodia; (ii) obtained and assessed due diligence information and documents regarding One Park from GRED; (iii) carried out researches on Cambodia generally and specifically on economic, financial, political, legal and judicial aspects; (iv) carried out researches on property market in Cambodia generally and specifically on the government policy regarding property market, the location and background of One Park, the property and rental price in the location of One Park and its proximate areas; (v) obtained and reviewed reports on property market in Cambodia published by various international and domestic property agents; and (vi) engaged the Independent Valuer to carry out assessment on value of the Remaining Properties and the market rents of the Building and the Block.

In arriving at the decision to enter into the Transactions, the Group has considered the following principal factors and benefits:

1. Property market in Cambodia and its prospect

Cambodia has been one of the most promising developing countries in South East Asia. According to the World Bank, Cambodia has been the sixth fastest-growing economy in the world over the past two decades, with average GDP growth rate of 7.7%. Cambodia's economy is expected to grow 7.0% in 2018, compared with a 6.9% in 2017. Cambodia is also one of the country set to benefit from the Belt and Road Initiative of the PRC with massive investment in infrastructure. These has been increasing number of Chinese developers and investors to participate in the property market of Phnom Penh, making it to have both high capital appreciation prospects and rental yields. As of the first quarter of 2018, prime gross initial yields across the predominate real estate sectors of Phnom Penh averaged 7.6%.

2. The Group's business strategy

It has been the Group's strategy to diversify its business and to broaden the revenue streams of the Group so as to create substantial value to the Shareholders. In parallel to promoting the Group's football operation, the management has been actively seeking different business opportunities for the Group. Further investment in the One Park by virtue of the Long Term Lease Agreement and the entering into of the Master Lease Agreement represent a good opportunity to secure a stable stream of income for the Group. At the same time, the Group will benefit from the possibility of future long term appreciation in value of the Building and the Block.

3. Return and costs saving in leasing the Building and the Block to GRED

Upon completion of the Long Term Lease Agreement, the Group in effect will own the entire interest of the Block. Based on the total investment costs of the Building and the Block by the Group, the rent will represent a yield of approximately 6.1% per annum, which yield exceeds the guaranteed return of 5% as set forth in the Equity SPA and the Properties SPA. On the other hand, the Group envisages that if the Building and the Block are leased to third party tenants other than GRED, costs will be incurred in setting up and maintaining offices in Cambodia including renting of office space and hiring of staff. Such establishment costs had also been taken into account by the Group in entering into the Equity SPA. Further, there is no guarantee that appropriate third party tenants can be identified and such third party tenants will pay rent in a timely manner. GRED

LETTER FROM THE BOARD

informed the Group that it intends to license the Building for school operation, whilst the Block, after remodeling as service apartments, will be licensed to individual tenants targeting mainly at expatriates. By leasing the Building and the Block to GRED, being the developer of One Park, pursuant to the Master Lease Agreement, the Group would be able to save the costs in managing the Building and the Block and at the same time secure a fixed return for its investment.

4. Valuation of the Remaining Properties and the rent under the Master Lease Agreement

The Group has appointed the Independent Valuer to conduct the valuation in respect of the Remaining Properties and the market rents of the Building and the Block. Based on the valuation of the Independent Valuer as set out in Appendix III to this circular, the fair market value of the Remaining Properties (on completion basis) was approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 August 2018. The consideration of approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) payable by the Group under the Long Term Lease Agreement represents a discount of approximately 5.8% to such valuation of the Remaining Properties. The Independent Valuer is of the opinion that the commercial terms of the Master Lease Agreement are fair and reasonable and in line with current market rental levels for similar premises in similar locations.

With regards to the independent valuation report prepared by the Independent Valuer, the Company has (i) discussed with the Independent Valuer regarding the methodology used, principal bases and assumptions adopted in the independent valuation report, which are summarised in the independent valuation report as set out in Appendix III to this circular; (ii) reviewed the underlying calculations of the independent valuation report and the information of the comparables (including unit prices) adopted by the Independent Valuer; (iii) assessed the experience and expertise of the signatory of the independent valuation report; and (iv) reviewed that the unit price adopted by the Independent Valuer are within the range of unit price as obtained by the Group's staff from the external public sources.

In the course of the Company's discussion with the Independent Valuer, the Company understands that there are three commonly adopted valuation methods for asset valuation, namely direct comparison (market) approach, income approach and cost based approach. Cost based approach is not considered applicable to the valuation of property of which there is an active market since the market determined prices as observed from the market other than by reference to the replacement costs. Market prices shall provide better indication of the value of the property. The Independent Valuer therefore considers the cost based approach to be an inappropriate methodology in the case of the valuation of the Remaining Properties.

Income approach is not adopted as the Remaining Properties are still in the stage of development, projections would therefore involve a high level of uncertainty and long-term forecast estimates, therefore, the Independent Valuer considers that the income approach is an inappropriate methodology for the valuation of the Remaining Properties. The Independent Valuer was able to identify sufficient comparable assets transactions in the market, hence it considers the market approach to be the most appropriate methodology for the valuation of the Remaining Properties. The Independent Valuer also confirms that the market approach is universally considered as an accepted valuation approach for valuing assets and is consistent with normal market practice.

LETTER FROM THE BOARD

In view of the respective shortcomings of the cost based approach and the income approach as advised by the Independent Valuer, the Company concurs with the Independent Valuer that the adoption of the market approach as the appropriate valuation methodology is suitable for the valuation of the Remaining Properties. Having considered the foregoing, the Company is of the opinion that the methodology used and principal bases and assumptions adopted by the Independent Valuer (including the selection of the comparables) are fair and reasonable.

5. *Financial position of the Group*

As at 30 June 2018, the Group's current ratio (as defined by current assets divided by current liabilities) was 68.4% and the gearing ratio (as defined by total borrowings divided by equity attributable to owners of the Company plus total borrowings) was 22.2%. The ratio of total liabilities to total assets of the Group was 40.4%. As at 30 June 2018, the Group had bank balances and cash were approximately HK\$69.2 million and total borrowings of approximately HK\$166 million, of which approximately HK\$66.2 million were repayable within one year. Cash requirement by the Group's football club business remains significant. The settlement of part of the Consideration by way of the allotment and issue of the Consideration Shares would reduce cash outflows on the part of the Company while the equity capital base of the Company would be enlarged and therefore, the current and future liquidity position of the Group can be maintained.

Although pursuant to the Long Term Lease Agreement, the delivery date of the Properties as set out in the Properties SPA will be extended from 31 August 2018 to 31 August 2019 in view of the remodeling of the Block into service apartments which in turn will prolong the payback period of the investment, having considered and on balance of the above principal factors and reasons, the Directors (excluding the Independent Non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" of this circular) consider that:

1. the terms and conditions of the Long Term Lease Agreement and the Master Lease Agreement have been negotiated among the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
2. the Annual Caps are fair and reasonable; and
3. the transactions contemplated under the Long Term Lease Agreement and the Master Lease Agreement are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the highest of the applicable percentage ratios for the Long Term Lease Agreement, as aggregated pursuant to Rule 14.22 of the Listing Rules, exceeds 25% but is less than 100%, the transactions contemplated under the Long Term Lease Agreement constitute major transactions for the Company under Chapter 14 of the Listing Rules. Moreover, since GRED, being the sole shareholder of Ever Depot, is a connected person of the Company, the Long Term Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since Ever Depot, being a substantial Shareholder, is a connected person of the Company, the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Long Term Lease Agreement, the Master Lease Agreement and the 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-3 of this circular is a notice convening the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6 December 2018 at 10:30 a.m. at which the relevant resolutions will be proposed at the EGM to approve, among other things, the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder (including the Annual Caps) and the grant of the Specific Mandate. The resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company after the EGM.

Any Shareholder with a material interest in the proposed transaction and his/her/its close associates will abstain from voting on resolution(s) approving that transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, GRED and its associates which owned 2,086,551,000 Shares, representing approximately 19.01% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on any resolutions to be proposed at the EGM. Save as disclosed herein, no Shareholder is required to abstain from voting on any resolutions to be proposed at the EGM.

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

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of 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 in person 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.

LETTER FROM THE BOARD

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 Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 29 November 2018.

RECOMMENDATION

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

The Directors (including all the Independent Non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the proposed resolution(s) approving the Transactions, the Annual Caps and the grant of the Specific Mandate at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Birmingham Sports Holdings Limited
Zhao Wenqing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



BIRMINGHAM SPORTS HOLDINGS LIMITED

伯明翰體育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

20 November 2018

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF PROPERTIES IN CAMBODIA;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
(3) CONTINUING CONNECTED TRANSACTION RELATING
TO LEASE OF PROPERTIES IN CAMBODIA**

We refer to the circular of the Company dated 20 November 2018 (the “Circular”) which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Long Term Lease Agreement and the Master Lease Agreement and the advice of the Independent Financial Adviser, we are of the opinion that (i) the terms of the Long Term Lease Agreement are on normal commercial terms or better and are fair and reasonable; (ii) the entering into of the Master Lease Agreement is in the ordinary and usual course of business of the Group; (iii) the terms of the Master Lease Agreement are on normal commercial terms or better and which, altogether with the Annual Caps, are fair and reasonable; and (iv) the transactions contemplated under the Long Term Lease Agreement and the Master Lease Agreement 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 Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Annual Caps.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



20 November 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

**(1) MAJOR AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF PROPERTIES IN CAMBODIA;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
(3) CONTINUING CONNECTED TRANSACTION RELATING TO
LEASE OF PROPERTIES IN CAMBODIA**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder, details of which are set out in the Letter from the Board (the “Letter from the Board”) contained in the circular issued by the Company to the Shareholders dated 20 November 2018 (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 otherwise requires.

On 28 August 2018 (after trading hours), (i) Deep Blue (an indirect wholly-owned subsidiary of the Company) has entered into the Long Term Lease Agreement with GRED, pursuant to which GRED has agreed to lease the Remaining Properties to Deep Blue; and (ii) Celestial Fame (an indirect wholly-owned subsidiary of the Company) has entered into the Master Lease Agreement with Ever Depot (a wholly-owned subsidiary of GRED), pursuant to which Celestial Fame has agreed to lease (or procure the lease of) the Building and the Block to Ever Depot.

Since the highest of the applicable percentage ratios for the Long Term Lease Agreement, as aggregated pursuant to Rule 14.22 of the Listing Rules, exceeds 25% but is less than 100%, the transactions contemplated under the Long Term Lease Agreement constitute major transactions for the Company under Chapter 14 of the Listing Rules. Moreover, since GRED, being the sole shareholder of Ever Depot, is a connected person of the Company, the Long Term Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Ever Depot is a substantial Shareholder owning 2,086,551,000 Shares, representing approximately 19.01% of the issued share capital of the Company. Since Ever Depot, being a substantial Shareholder, is a connected person of the Company, the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

To the best knowledge of the Directors, save for GRED and its associates (including Ever Depot), no Shareholder has a material interest in the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder. As such, GRED and its associates (including Ever Depot) shall abstain from voting at the EGM in respect of the resolutions proposed to approve the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine, has been formed to advise the Independent Shareholders as to (i) whether the transactions under the Master Lease Agreement are conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of the Long Term Lease Agreement and the Master Lease Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) whether the entering into of the Long Term Lease Agreement and the Master Lease Agreement, together with the adoption of the annual caps in respect of the Master Lease Agreement are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions to be proposed at the EGM to approve the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the EGM and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the EGM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background information of the Group and the parties to the Long Term Lease Agreement and the Master Lease Agreement

The Company and the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and the Shares have been listed on the Stock Exchange since 12 November 2002.

As at the Latest Practicable Date, the Group is principally engaged in the operation of a professional football club in the United Kingdom. The businesses of the Company include the sales of football match tickets, television broadcasting and local media businesses, as well as related commercial businesses to generate sponsorship income, corporate hospitality income, merchandising income and conference income.

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 investment holding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Deep Blue is a limited company incorporated in Cambodia and an indirect wholly-owned subsidiary of the Company. Deep Blue is principally engaged in properties investment.

The Vendor

Ever Depot is a limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of GRED. As advised by GRED, Ever Depot is principally engaged in investment holding.

GRED is a limited company incorporated in Cambodia and is engaged in property development. GRED is the developer of One Park. GRED is wholly-owned by Mr. Vong Pech, a Cambodian citizen.

As at the Latest Practicable Date, Ever Depot is a substantial Shareholder owning 2,086,551,000 Shares, representing approximately 19.01% of the issued share capital of the Company. Ever Depot, GRED and Mr. Vong Pech are connected persons of the Company under the Listing Rules.

2. Financial information of the Group

The following table summarises the key financial information of the Company for the years ended 30 June 2016, 2017 and 2018 as extracted from the annual report of the Company for the year ended 30 June 2017 (the “2017 Annual Report”) and the annual report of the Company for the year ended 30 June 2018 (the “2018 Annual Report”) respectively:

	For the year ended 30 June		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Revenue	208,013	172,950	169,333
<i>Segment revenue</i>			
- <i>Broadcasting</i>	81,156	68,366	59,278
- <i>Commercial income</i>	75,029	60,387	62,141
- <i>Match day receipts</i>	51,828	44,197	47,914
Loss from operations	(323,550)	(147,643)	(110,181)
Loss attributable to owners of the Company	(425,027)	(177,712)	(58,574)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		
	2018	2017	2016
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Property, plant and equipment	211,007	199,007	203,008
Intangible assets	197,024	141,589	82,259
Investment properties	393,908	—	—
Bank balances and cash	69,221	131,188	26,982
Total assets	949,815	525,699	374,537
Total liabilities	383,805	229,593	308,643
Net assets	566,010	296,106	65,894
Equity attributable to the owners of the Company	583,235	300,774	65,534

For the years ended 30 June 2016 and 2017

The revenue of the Group increased from approximately HK\$169.3 million for the year ended 30 June 2016 to approximately HK\$173.0 million for the year ended 30 June 2017, representing an increase of approximately 2.2%. Loss attributable to owners of the Company increased from approximately HK\$58.6 million for the year ended 30 June 2016 to approximately HK\$177.7 million for the year ended 30 June 2017, representing an increase of approximately 203.2%. As stated in the 2017 Annual Report, the increase in loss attributable to owners of the Company was mainly attributable to higher spending on players' registration and staff costs as a result of the change of the new club manager and the signing of a number of new players during the season with an aim to strengthen the competitiveness of the football club, and the impairment loss incurred after the assessment on the fair value of the intangible assets of the Group during the year under review.

As at 30 June 2017, total assets of the Group amounted to approximately HK\$525.7 million, of which property, plant and equipment, intangible assets and bank balances and cash amounted to approximately HK\$199.0 million, HK\$141.6 million and HK\$131.2 million, respectively, representing approximately 37.9%, 26.9% and 25.0% of the total assets of the Group, respectively. As at 30 June 2017, total liabilities of the Group amounted to approximately HK\$229.6 million, of which borrowings and accruals and other payables amounted to approximately HK\$39.3 million and HK\$58.5 million, respectively and represented approximately 17.1% and 25.5% of the total liabilities of the Group, respectively.

For the years ended 30 June 2017 and 2018

The revenue of the Group increased from approximately HK\$173.0 million for the year ended 30 June 2017 to approximately HK\$208.0 million for the year ended 30 June 2018, representing an increase of approximately 20.2%. Loss attributable to owners of the Company increased from approximately HK\$177.7 million for the year ended 30 June 2017 to approximately HK\$425.0 million for the year ended 30 June 2018, representing an increase of approximately 139.2%. As stated in the 2018 Annual Report, the increase in loss attributable to owners of the Company was

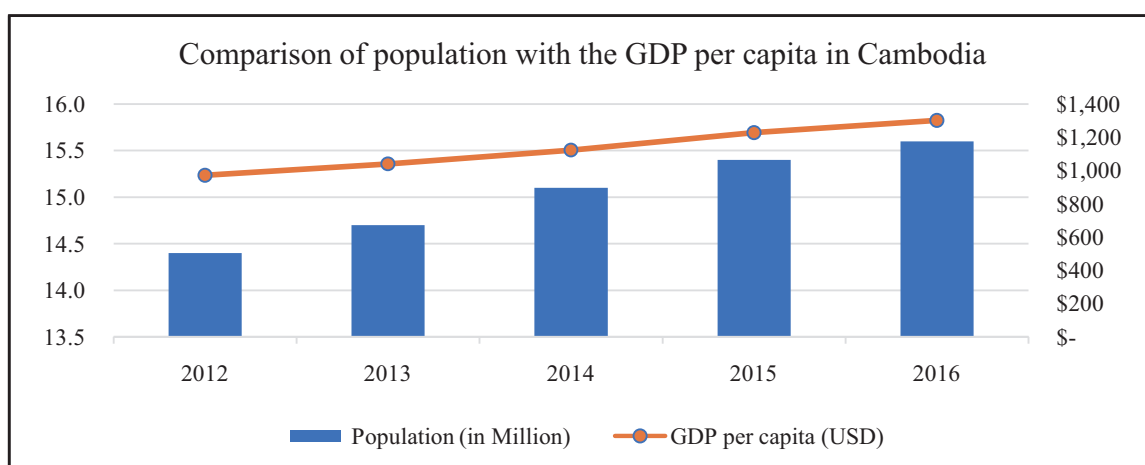
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mainly attributable to the fact that Birmingham City Football Club PLC, the major subsidiary of the Company engaging in the operation of a professional football club in the United Kingdom, incurred higher staff related costs, in particular the wages of players and coaching team as a result of the introduction of more players to strengthen the squad and amortisation of players' fee.

As at 30 June 2018, total assets of the Group amounted to approximately HK\$949.8 million, of which investment properties, property, plant and equipment, intangible assets and bank balances and cash amounted to approximately HK\$393.9 million, HK\$211.0 million, HK\$197.0 million and HK\$69.2 million, respectively, representing approximately 41.5%, 22.2%, 20.7% and 7.3% of the total assets of the Group, respectively. As at 30 June 2018, total liabilities of the Group amounted to approximately HK\$383.8 million, of which borrowings, transfer fee payable and accruals and other payables amounted to approximately HK\$166.0 million, HK\$86.3 million and HK\$56.5 million, respectively and represented approximately 43.3%, 22.5% and 14.7% of the total liabilities of the Group, respectively.

3. Outlook of the real estate market in Cambodia

We noted that the economy of Cambodia has expanded in the past years. Based on the World Bank, the gross domestic product ("GDP") of Cambodia has increased from approximately US\$14.1 billion in 2012 to approximately US\$22.2 billion in 2017, representing a compound annual growth rate ("CAGR") of approximately 7.9%, while the GDP per capita of Cambodia increased from approximately US\$971 in 2012 to approximately US\$1,302 in 2016, representing a CAGR approximately 6.0% according to the National Institute of Statistics of the Cambodia ("NISC"). The population of Cambodia increased from approximately 14.4 million in 2012 to approximately 15.6 million in 2016, representing a CAGR of approximately 1.6%. The following graph illustrates the comparison of population with the GDP per capita in Cambodia from 2012 to 2016:

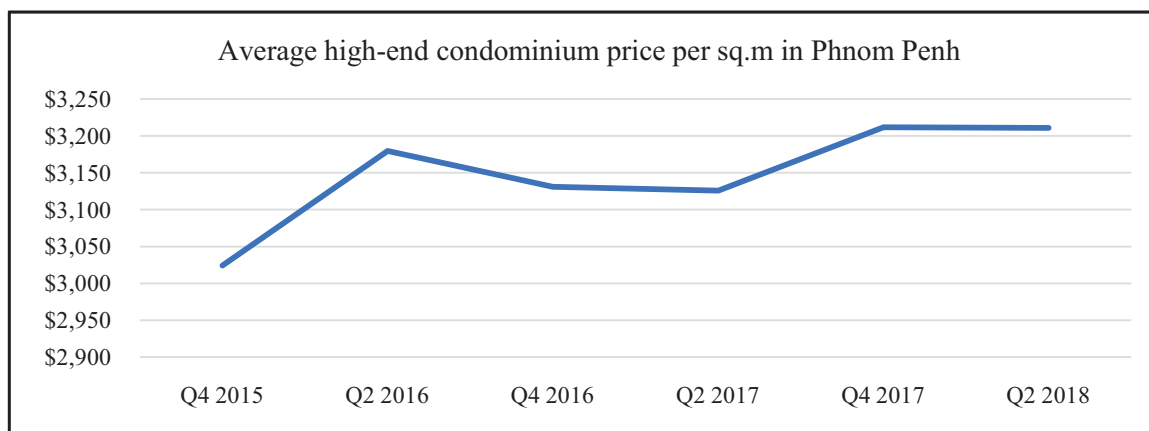


Source: NISC

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In addition, urbanisation in Cambodia is increasing steadily, resulting in persistent demand for residential properties. We note that the urban population of Cambodia increased from approximately 3.1 million in 2012 to approximately 3.7 million in 2016, representing a CAGR of approximately 3.7%. In 2016, Cambodia has an urban population of approximately 23.5% to the total population. According to the World Bank, Cambodia's rate of urbanisation is lower than what can be expected for its GDP. Countries with similar levels of GDP, such as Bangladesh and Kyrgyzstan, have an urbanisation rate closer to approximately 35% being the ratio of urban population to total population, suggesting that the pace and scale of urbanisation in Cambodia is likely to rise. It is expected that the urbanisation rate of Cambodia will reach approximately 36% by 2050.

According to the International Monetary Fund Country Report of Cambodia published in October 2017, bank credit growth remained high at about 15% year over year in May 2017, even though it's relatively soft as compared to an average of 30% over the past few years. Real estate sector-related bank credit growth remains strong, supported by demand for housing from Cambodia's young and growing middle-income population. Based on the research reports published by CBRE Real Estate Agent Cambodia Advantage Property Services Co., Ltd. ("CBRE Cambodia"), which is an affiliate of CBRE Group, Inc., an international real estate agency listed on the New York Stock Exchange and a Fortune 500 and S&P 500 company, the average high-end condominium price per sq.m. in Phnom Penh has remained stable in recent years, with a CAGR of approximately 2.4% from the fourth quarter of 2015 to the second quarter of 2018 and illustrated as follows:



Source: CBRE Cambodia

According to the board of governors of Phnom Penh, Phnom Penh is the capital and largest city of Cambodia which covers an area of approximately 678 square kilometers. It is a center of security, politics, economics, cultural heritage, and diplomacy. Phnom Penh accounted for three-fourth of industrial investments and transportation of Cambodia. Phnom Penh had a population of approximately 1.5 million in 2012 or approximately 10.1% of the total population of Cambodia while Phnom Penh and surrounding hosted approximately 2.8 million foreign visitor arrivals in 2016 which represented approximately 48.6% of the total foreign visitor arrivals in Cambodia according to the tourism statistics report prepared by the Ministry of Tourism in 2016.

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We noted that GDP per capita, total and urban population have been increasing in Cambodia, and the average price per sq.m. of high-end condominium in Phnom Penh remained stable according to the latest information available to the public. In light of the above, we consider that the growth in the economy and the prospect of the real estate market in Cambodia, particularly Phnom Phnh is expected to present favourable investment opportunities for the Group.

4. Principal terms of the Long Term Lease Agreement

Set out below is a summary of the principal terms of the Long Term Lease Agreement. Further details of the Long Term Lease Agreement are set out in the Letter from the Board.

Date	:	28 August 2018
Parties	:	(1) GRED as lessor; and (2) Deep Blue as lessee
Subject matter	:	GRED has conditionally agreed to lease to Deep Blue and Deep Blue has conditionally agreed to lease from GRED the Remaining Properties.
The Remaining Properties	:	The Remaining Properties, which are located within and form part of One Park, comprise (i) 22 residential apartments on four floors and all areas on three floors at Block C of One Park with total saleable area of approximately 3,468.15 sq.m.; and (ii) portion of the podium and corridor connected to the main building of the condominium with saleable area of approximately 1,791.34 sq.m.

The Remaining Properties were under construction as of the Latest Practicable Date. GRED has undertaken to complete and deliver the Remaining Properties in compliance with the construction specifications set out in the Long Term Lease Agreement. GRED shall bear the costs of the construction of the Remaining Properties until the completion of the construction.

The Remaining Properties had not yet generated any income as at the Latest Practicable Date as the Block was under construction.

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Term : An initial term of fifty (50) years commencing from the Delivery Date (the “Initial Term”). At the sole option of Deep Blue, the Initial Term may be extended for such period(s) as determined by Deep Blue under the same terms and conditions as contained in the Long Term Lease Agreement (the “Extended Term”), provided always that save for payment of the consideration under the Long Term Lease Agreement on Completion, Deep Blue shall not be required to pay any rent for the Extended Term.

4.1 Consideration

Approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) shall be satisfied as follows:

- (1) as to US\$10.1 million (equivalent to approximately HK\$78.8 million) by the allotment and issue of the Consideration Shares to GRED (or its nominee(s)) at the Issue Price on Completion; and
- (2) as to US\$6.2 million (equivalent to approximately HK\$48.4 million) by cash payable no later than seven (7) Business Days following the Delivery Date.

In the event Deep Blue does not exercise its right to extend the term of the lease after the Initial Term, there will not be any refund of the consideration paid.

As set out in the Letter from the Board, the Consideration was determined after arm’s length negotiations between the Company and GRED taking into account, among other things, (i) the preliminary valuation conducted by the Independent Valuer regarding the fair market value of the Remaining Properties (on completion basis) of approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 July 2018; (ii) the Consideration paid by the Company in the acquisition of the Properties; and (iii) the reasons for and benefits of the transactions as described in the section headed “Reasons for and benefits of the transactions” disclosed in the Letter from the Board.

As at 30 June 2018, the Group’s bank balance and cash were approximately HK\$69.2 million and undrawn borrowing facilities were approximately HK\$238.8 million. As the cash consideration is payable within seven (7) Business Days following the Delivery Date which is expected to be in or about August 2019, the Group intends to fund the payment of the cash consideration by internally available resources, borrowings and/or equity fund raising having considered its then financial position.

The Consideration Shares, being 832,621,000 new Shares, will be issued at the Issue Price (i.e., HK\$0.0947 per Share), which was determined after arm’s length negotiations between the Company and GRED with reference to the then market prices of the Shares. Based on the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day, the aggregate market value of the Consideration Shares is approximately HK\$84.1 million.

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As at the Latest Practicable Date, the Company has 10,974,071,672 Shares in issue. The Consideration Shares represent:

- (i) approximately 7.6% of the existing issued share capital of the Company as at the Last Trading Day;
- (ii) approximately 7.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (iii) approximately 7.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price represents:

- (i) a discount of approximately 6.2% to the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.9% to the average closing price of HK\$0.1028 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 11.0% to the average closing price of HK\$0.1064 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 16.1% to the average closing price of HK\$0.1129 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 4.3% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 78.3% over the equity attributable to the owners of the Company per share at HK\$0.0531 per Share as at 30 June 2018.

As a further part of our assessment on the fairness and reasonableness of the valuation and the Issue Price, we have also performed the analysis set out in the paragraph headed “7. Consideration analysis” below.

4.2 Non-disposal undertaking and escrow arrangement

GRES has irrevocably and unconditionally undertaken to the Company that in the period commencing on the Completion Date and ending on the Delivery Date, it shall not and shall procure that its nominee(s) shall not dispose of, nor enter into any agreement to dispose of, any of the Consideration Shares. Besides, the share certificates of the Consideration Shares will be held by the Company’s legal adviser in escrow, which will be released to GRES (or its nominee(s)) within three (3) Business Days from the Delivery Date.

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4.3 Delivery of the Block

GRED has undertaken to complete the construction of the Block on or before 31 August 2019 or such other date as GRED and Deep Blue may agree in writing. Upon completion of the construction of the Block, GRED shall notify Deep Blue to carry out physical inspection of the Block against the construction specifications set out in the Long Term Lease Agreement. Physical inspection shall be carried out on a date (the “Delivery Date”) which shall not be later than fifteen (15) Business Days after the receipt of such notification by Deep Blue or such other date which the lessor and the lessee may agree in writing. Once any defect or non-compliant items are found during inspection, GRED will take every step to ensure that such rectification requirements are met within fifteen (15) Business Days following the inspection.

The construction specifications set out in the Long Term Lease Agreement cover project descriptions of One Park including location, total number of residential units, common area and parking spaces; building descriptions of the Block including units on each floor and saleable area; and apartment specifications including flooring, wall and ceiling of corridors and apartments, size of windows and doors, fittings, equipment, finishes, installations and appliances, plumbing and sanitary ware of bathrooms and kitchen appliances. It is envisaged that at delivery of the Block, the Group’s personnel will assess fulfillment of the construction specifications by carrying out inspection and cross checking and will, when appropriate, seek assistance from relevant professional advisers.

The delivery date of the Properties as set forth in the Properties SPA shall be extended from 31 August 2018 to 31 August 2019 or such other date as GRED and Deep Blue may agree in writing.

Pursuant to the Properties SPA, GRED has undertaken to complete the construction of the Properties on or before 31 August 2018. The Block has been topped up with its infrastructure completed in or about February 2018. In or about April 2018, GRED has inquired with the Group as to its interest in purchasing the Remaining Properties, remodeling the Block as service apartments and leasing the Building and the Block to GRED. It is estimated that the remodeling of the Block as service apartments will extend the construction period to mid-2019. Based on our discussion with the management of the Company and interview with the project manager of GRED, we understand that the extension of the delivery of the Properties is primarily due to the remodeling work on the Block to meet the standard as service apartments. Should the remodeling work were not agreed by the Company, the project manager of GRED and the Company believe that the Properties would be delivered to the Group by the original agreed time of 31 August 2018. We have also reviewed the delivery records of phase one of One Park project status and understand that phase one of One Park has started delivery as schedule. In addition, in or about August 2018, GRED notified the Group that the construction works of the Building were completed which is in accordance with agreed schedule. The Group has carried out on-site inspection and checking and has negotiated with GRED to rectify and remedy identified defects. We also understand that there is no legal proceedings in the Cambodian courts regarding the late delivery of properties of One Park. As at the Latest Practicable Date, the Group was finalising the delivery of the Building with GRED. Having considered the above, we concur with the Directors’ view that the extended delivery time of 31 August 2019 of the Block is a reasonable estimation and we have no reason to believe that the Block cannot be delivered by 31 August 2019.

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We have also discussed with the Independent Valuer and were advised that the valuation of the Remaining Properties prepared by the Independent Valuer as set out in Appendix III to the Circular (the “Acquisition Valuation”) was determined based on residential usage instead of service apartments. The Independent Valuer further advised that the fair market value of service apartment is generally higher than residential property. Accordingly, the remodeling of the Block into service apartments is expected to increase the value of the Block. In addition, we have considered that the Group is not required to bear the additional construction costs for remodeling the Block. In view of the foregoing, we concurred with the Directors’ view that the extension of the delivery date of the Properties was caused by the remodeling of the Block so as to improve the value of the Block and therefore is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Should GRED is not able to deliver the Block to the Group within the agreed time, it will amount to a breach of contract and the Group is entitled to commence legal proceedings against GRED for damages. We have discussed with the Company and understand that the Company plans to enforce its rights and protect the interest of the Company and its shareholders if necessary.

As at the Latest Practicable Date, the Group was not aware of any breach or potential breach of the terms of the Properties SPA by GRED.

4.4 *Conditions precedent*

Completion shall be subject to and conditional upon:

- (1) the execution of the Master Lease Agreement by the parties thereto;
- (2) the delivery by GRED to Deep Blue of a Cambodian legal opinion dated the Completion Date in relation to the Long Term Lease Agreement, the Master Lease Agreement and the Block in form and substance satisfactory to Deep Blue;
- (3) the passing of the resolution(s) by the Independent Shareholders in the EGM approving the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated hereunder and thereunder;
- (4) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (5) there has been no material breach of or materially inconsistent with any of the terms and/or the warranties given by GRED under the Long Term Lease Agreement by GRED at any time from the date of the Long Term Lease Agreement up to and including the Completion Date; and
- (6) all necessary consents, approvals and authorisations having been obtained from all relevant authorities in Cambodia and in any other applicable jurisdiction in connection with the transactions contemplated under the Long Term Lease Agreement, the Master Lease Agreement and the implementation of the transactions contemplated thereunder and all other matters incidental hereto and thereto.

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Deep Blue shall be entitled at its absolute discretion at any time on or before the Long Stop Date by notice in writing to GRED to waive any of the conditions (save and except the conditions precedent (3), (4) and (6) above, which cannot be waived) either in whole or in part. In the event any of the conditions that are not waived either in whole or in part by Deep Blue shall not be fulfilled by 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Long Term Lease Agreement shall be null and void and of no further effect and no party shall have any further liability to the other party under or in connection with the Long Term Lease Agreement without prejudice to the rights of any party in respect of any antecedent breaches. As at the Latest Practicable Date, condition precedent (1) has been fulfilled.

In the event that the Long Term Lease Agreement is terminated in accordance with its terms, the Properties SPA shall remain in full force and effect. It is envisaged that the remodeling of the Block will still be carried out and Deep Blue shall be entitled to the delivery of the Properties in accordance with the terms of the Properties SPA by the extended delivery date of August 2019.

Completion shall take place within three (3) Business Days immediately after fulfillment (or waiver, as the case may be) of the conditions (save and except conditions precedent (2), (5) and (6) above which shall be fulfilled on the Completion Date).

Despite the Completion is expected to take place within three (3) Business Days on or before the Long Stop Date (i.e. 31 December 2018 or such other date as the relevant parties may agree) and before the delivery of the Block which is currently scheduled on or before 31 August 2019, we have considered that (i) cash portion of the Consideration in the sum of US\$6.2 million (equivalent to approximately HK\$48.4 million) is payable no later than seven (7) Business Days following the Delivery Date; (ii) the extended delivery time of 31 August 2019 of the Block is considered a reasonable estimation and we have no reason to believe that the Block cannot be delivered by 31 August 2019 set out in the paragraph headed “4.3 Delivery of the Block” above; (iii) the Group is entitled to commence legal proceedings against GRED for damages if GRED is not able to deliver the Block to the Group within the agreed time and the Company plans to enforce its rights and protect the interest of the Company and its shareholders; and (iv) the Consideration Shares are subject to the non-disposal undertaking of GRED as described in the paragraph headed “4.2 Non-disposal undertaking and escrow arrangement” above, we concur with Directors’ view that the terms of the Long Term Lease Agreement have provided sufficient safeguards in protecting the Company’s interests relating to the risk arising from any delay in delivery of the Block.

5. Principal terms of the Master Lease Agreement

Set out below is a summary of the principal terms of the Master Lease Agreement. Further details of the Master Lease Agreement are set out in the Letter from the Board.

Date	:	28 August 2018
Parties	:	(1) Celestial Fame as lessor; and (2) Ever Depot as lessee

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Subject matter : Celestial Fame has conditionally agreed to lease, or procure the lease of, the Building and the Block to Ever Depot.

Term : The Building: three (3) years commencing from the Business Day following the fulfillment of the conditions (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot.

The Block: three (3) years commencing from the Delivery Date (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot.

5.1 Rent

US\$15 per sq.m. per month. Accordingly, the total rent of the Building and the Block equal to approximately US\$1.0 million (equivalent to approximately HK\$7.9 million) and approximately US\$2.6 million (equivalent to approximately HK\$20.2 million) per annum, respectively.

As disclosed in the circular of the Company dated 31 October 2017, (i) pursuant to the Equity SPA, GRED has agreed, guaranteed and undertaken that for the period of eight (8) years commencing from the date of takeover by Celestial Fame of the construction works of the Building, in the event the actual annualised return from investment in the Building and the land where the Building is erected is less than a guaranteed return of five percent (5%), GRED shall pay a cash amount equal to the difference between the actual annualised return and the guaranteed return; and (ii) pursuant to the Properties SPA, GRED has agreed and undertaken to procure lessee(s) and/or licensee(s) for the Properties, failing which GRED shall enter into a lease and/or license agreement for the Properties for the period of eight (8) years commencing from the delivery of the Properties and at an annualised return of not less than five percent (5%) based on the consideration payable by Deep Blue under the Properties SPA.

Based on the total investment costs of the Building and the Block by the Group of approximately US\$59.6 million, the rent under the Master Lease Agreement will represent a yield of approximately 6.1% per annum, which exceeds the guaranteed return as set forth in the Equity SPA and the Properties SPA.

As set out from the Letter from the Board, the overall rent for each of the Building and the Block 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 market rent as determined by the Independent Valuer. The Independent Valuer has assessed the market rents of the Building and the Block as at 28 August 2018. In determining the market rents, the Independent Valuer has examined comparable rentals of similar properties in the nearby vicinity, and assessed market rentals on the basis of market rent (defined as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's

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length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion). The Independent Valuer has also taken into consideration the market outlook for rents of the types of properties involved, and their locations. The Independent Valuer is of the opinion that the commercial terms of the Master Lease Agreement, including the rentals, the three years lease term, which term may be renewed by agreement of Celestial Fame and Ever Depot and Celestial Fame shall be responsible for the payment of any applicable real estate tax and government levies, if any, during the lease term, are fair and reasonable and in line with current market rental levels for similar premises in similar locations.

As a further part of our assessment on the fairness and reasonableness of the rent, we have also performed the analysis set out in the paragraph headed “8. Annual Caps” below.

5.2 Conditions precedent

The obligations of Celestial Fame and Ever Depot to perform their respective obligations under the Master Lease Agreement shall be subject to and conditional upon:

- (1) the completion of the Long Term Lease Agreement;
- (2) the passing of the resolution(s) by the Independent Shareholders in the EGM approving the Master Lease Agreement, the Long Term Lease Agreement and the transactions contemplated hereunder and thereunder; and
- (3) all necessary consents, approvals and authorisations having been obtained from all relevant authorities in Cambodia and in any other applicable jurisdiction in connection with the transactions contemplated under the Master Lease Agreement, the Long Term Lease Agreement and the implementation of the transactions contemplated thereunder and all other matters incidental hereto and 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 Master Lease Agreement 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 Master Lease Agreement without prejudice to the rights of any such parties in respect of any antecedent breaches.

6. Reasons for and benefits of the Transactions

As disclosed in the Letter from the Board, the Group has considered the following principal factors and benefits in arriving at a decision to enter into the Transactions, which include (i) property market in Cambodia and its prospect; (ii) the Group’s business strategy; (iii) return and costs saving in leasing the Building and the Block to GRED; and (iv) valuation of the Remaining Properties and the rent under the Master Lease Agreement.

In assessing the whether the entering into of the Long Term Lease Agreement and the Master Lease Agreement are in the interest of the Company and the Shareholders as a whole, we have considered the each of the principal factors and benefits in arriving at a decision to enter into the Transactions as set out in the Letter from the Board.

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6.1 Property market in Cambodia and its prospect

We noted that the economy of Cambodia has been steadily improving in past years. As stated in the Letter from the Board, according to the World Bank, Cambodia has been the sixth fastest-growing economy in the world over the past two decades, with average GDP growth rate of 7.7%. Cambodia's economy is expected to grow 7.0% in 2018, compared with a 6.9% in 2017. In addition, as set out in the paragraph headed "3. Outlook of the real estate market in Cambodia" of this letter, urbanisation in Cambodia is increasing steadily, resulting in persistent demand for residential properties. In 2016, Cambodia has an urban population of approximately 23.5% to the total population. According to World Bank, it is expected that the urban population of Cambodia will reach 36% by 2050. According to the board of governors of Phnom Penh, Phnom Penh had a population of approximately 1.5 million in 2012 or approximately 10.1% of the total population of Cambodia. Based on the research reports published by CBRE Cambodia as set out in the paragraph headed "3. Outlook of the real estate market in Cambodia" of this letter, the average high-end condominium price per sq.m. in Phnom Penh has remained stable in recent years, with a CAGR of approximately 2.4% from the fourth quarter of 2015 to the second quarter of 2018. In addition, One Park is one of the highly anticipated projects in the country as an award winner in the Property Guru Cambodia Property Awards in the category of "Best Mixed Use Landscape Architectural Design" and highly commended in the category of "Best High End Condo Development". We consider that given the growth in the economy and the prospect of the real estate market in Cambodia, the Transactions represent favourable investment opportunities for the Group to diversify its business.

A pre-sale is when a property developer sells to a buyer a property before that property is built or completed. We conducted researches on the practice of selling of first-hand properties prior to completion of construction and understand the practice exists in many parts of the world in both developed and developing countries. For example, we understand the pre-sale practice exists in the majority of member states under The Group of Seven (the "G7"), which consists of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States and represented major advanced economics in the world, and the neighbouring countries of Cambodia in the Association of Southeast Asian Nations (the "ASEAN"). In addition, the residential units other than those sold to the Company in One Park were also pre-sold to the public. As such, we believe that it is not uncommon in the real estate market worldwide that first-hand properties are pre-sold prior to completion of construction.

6.2 The Group's business strategy

As disclosed in the Letter from the Board and the 2018 Annual Report, it has been the Group's strategy to diversify its business and to broaden the revenue streams of the Group so as to create substantial value to the Shareholders. In parallel to promoting the Group's football operation, the management has been actively seeking different business opportunities for the Group. The Group has acquired the Properties, a parcel of land of One Park with a net area of approximately 1,200 sq. m. (the "Land") and the Building which is also situated in the One Park as disclosed in the circular of the Company dated 31 October 2017. Further investment in the One Park by virtue of the Long Term Lease Agreement and the entering into of the Master Lease Agreement represent a good opportunity to secure a stable stream of income for the Group. At the same time, the Group will benefit from the possibility of future long term appreciation in value of the Building and the

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Block. Based on the rent under the Master Lease Agreement of approximately US\$3.6 million per annum and the aggregate consideration for the Building and the Block of approximately US\$59.6 million, the rental yield of the Master Lease Agreement is approximately 6.1%. Given the loss making position of the Group as discussed in the paragraph headed “2. Financial Information of the Group” of this letter and the rent receivable by the Group under the Master Lease Agreement, it is expected that the Transactions would enhance the Group’s revenue stream upon the completion of the Transactions.

6.3 Return and costs saving in leasing the Building and the Block to GRED

One Park is located in north of central Phnom Penh, a mixed-use development comprises of shop-houses, multiple mid-rise condominium buildings, residential buildings and a commercial and educational building erected on a parcel of land with total site area of approximately 79,000 sq.m. The project is located in the core of the city and close proximity to many key amenities. Upon completion of the Long Term Lease Agreement, the Group in effect will own the entire interest of the Block. The Group envisages that if the Building and the Block are leased to third party tenants other than GRED, costs will be incurred in setting up and maintaining offices in Cambodia including renting of office space and hiring of staff. Such establishment costs had also been taken into account by the Group in entering into the Equity SPA. Further, there is no guarantee that appropriate third party tenants can be identified and such third party tenants will pay rent in a timely manner. GRED informed the Group that it intends to license the Building for school operation, whilst the Block, after remodeling as service apartments, will be licensed to individual tenants targeting at expatriates. By leasing the Building and the Block to GRED, being the developer of One Park, pursuant to the Master Lease Agreement, the Group would be able to save the costs in managing the Building and the Block and at the same time secure a fixed return for its investment.

6.4 Valuation of the Remaining Properties and the rent under the Master Lease Agreement

The Group has appointed the Independent Valuer to conduct the valuation in respect of the Remaining Properties and the market rents of the Building and the Block. Based on the Acquisition Valuation, the fair market value of the Remaining Properties (on completion basis) was approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 August 2018. The Consideration of US\$16.3 million (equivalent to approximately HK\$127.2 million) payable by the Group under the Long Term Lease Agreement represents a discount of approximately 5.8% to the Acquisition Valuation as compared to the value dilution of the Transactions to the existing public Shareholders of approximately 0.4%. Despite the Block will only be delivered on or before 31 August 2019, in view that (i) the extension of delivery time of the Block was caused by the remodeling of the Block in order to improve its value, which is in the interest of the Company and the Shareholders; (ii) the Group is not required to bear the construction costs of remodeling the Block; (iii) it is not uncommon in the real estate market worldwide that first-hand properties are pre-sold prior to completion of construction; (iv) the Consideration represents a discount of approximately 5.8% to the Acquisition Valuation; (v) the Group is acquiring the entire Block of One Park; and (vi) the Group is not required to pay any down payment upon entering into of the Long Term Lease Agreement which would not result in obligation at the time of entering into of the Long Term Lease Agreement and would not undermine the interest of the Company and the Independent Shareholders as a whole in such regard, we consider it is fair and reasonable for the Group to purchase the Remaining Properties at the under-development stage.

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Despite the Consideration Share will be allotted and issued to GRED at Completion which will be before the delivery of the Remaining Properties and the Remaining Properties remained under construction as of the Latest Practicable Date and expected to be completed on or before 31 August 2019, having considered that (i) the prospect of economy and outlook of the real estate market in Cambodia as set out in the paragraph above; (ii) the Consideration payable by the Group represents a discount of approximately 5.8% against the Acquisition Valuation which is higher than the value dilution of the Transactions to the existing public Shareholders based on the share price as at the Last Trading Day which does not undermine the interest of the Shareholders; and (iii) the Issue Price is on normal commercial term or better, fair and reasonable and is in the interests of the Company and the Shareholders as a whole after comparing to the recent connected transactions of companies listed on the main board of the Stock Exchange in relation to acquisitions involving the issue of shares as settlement of all or part of the consideration as detailed in the paragraph headed “7.3. Market comparable analysis” of this letter, we concurred with the Directors’ view that the entering into the Long Term Lease Agreement will benefit the Company and the Shareholders as a whole in the long run.

6.5 Financial position of the Group

As at 30 June 2018, the Group’s current ratio (as defined by current assets divided by current liabilities) was 68.4% and the gearing ratio (as defined by total borrowings divided by equity attributable to owners of the Company plus total borrowings) was 22.2%. The ratio of total liabilities to total assets of the Group was 40.4%. As at 30 June 2018, the Group had bank balances and cash of approximately HK\$69.2 million and total borrowings of approximately HK\$166 million, of which approximately HK\$66.2 million were repayable within one year. Cash requirement by the Group’s football club business remains significant. The settlement of part of the Consideration by way of the allotment and issue of the Consideration Shares would reduce cash outflows on the part of the Company while the equity capital base of the Company would be enlarged and therefore, the current and future liquidity position of the Group can be maintained.

Given the Group has acquired the Properties, the Land and the Building which is also situated in the One Park pursuant to the circular of the Company dated 31 October 2017 and the Company has identified investment in properties as one of the reportable and operating segments in the 2018 Annual Report, we are of the view that the entering into of the Long Term Lease Agreement and the Master Lease Agreement is conducted in the ordinary and usual course of the business of the Group.

Having considered that (i) the Transactions is expected to enhance the Group’s revenue stream upon the completion of the Transactions; (ii) the growth in the economy and the prospect of the real estate market in Cambodia is expected to present favourable business opportunities for the Group. as set out in the paragraph headed “3. Outlook of the real estate market in Cambodia”; and (iii) the Consideration payable by the Group under the Long Term Lease Agreement represents a discount of approximately 5.8% against the Acquisition Valuation, we are of the view that the entering into of the Long Term Lease Agreement and the Master Lease Agreement are in the interest of the Company and the Shareholders as a whole.

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7. Consideration analysis

7.1 *Valuation of the Remaining Properties*

The Group has appointed the Independent Valuer, JP Assets Consultancy Limited, to perform an independent valuation on the Remaining Properties. Based on the valuation report as set out in Appendix III to the Circular (the “Valuation Report”), the Consideration represents a discount of approximately 5.8% to the fair market value of the Remaining Properties (on completion basis) of approximately US\$17.3 million (equivalent to approximately HK\$134.9 million) as at 31 August 2018. According to the Valuation Report, we understand that the fair market value of the Remaining Properties (on completion basis) is based on an assumed unit rate of US\$3,100 per sq.m. on saleable area basis which represents a premium of approximately 0.9% as compared to the unit rate of Properties of US\$3,072 as at 30 September 2017 as set out in the circular of the Company dated 31 October 2017.

In order to assess the basis in determining the Consideration, we have reviewed the Valuation Report and discussed with the Independent Valuer and the Directors in respect of the Acquisition Valuation. For the purpose of due diligence, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Group; (ii) the Independent Valuer’s qualification and experience in relation to the performance of the Acquisition Valuation; and (iii) the methodologies used and assumptions adopted by the Independent Valuer when conducting the Acquisition Valuation.

(a) Valuation methodologies

From the mandate letter and other relevant information provided by the Independent Valuer and based on our interview with the Independent Valuer, we noted that the Independent Valuer is an established independent property valuer with a large number of completed assignments acting for listed companies in Hong Kong and the PRC. We also understand that the valuer-in-charge of the Independent Valuer’s valuation team has approximately 25 years’ of experience in the valuation industry throughout different countries and regions including such as, Vietnam, Philippines, Malaysia, Singapore and Cambodia. Nearly all of the team members under the Independent Valuer have one or more of the following professional qualifications such like professional member of Hong Kong Institute of Surveyors, professional member of Royal Institution of Chartered Surveyors, Hong Kong Institute of Certified Public Accountants and Chartered Financial Analyst etc.

We have also reviewed the terms of engagement letter of the Independent Valuer and noted that the purpose of which is to prepare a property valuation report and provide the Company with the opinion of the market value of the Remaining Properties. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by Independent Valuer in the Valuation Report. We also understand from Independent Valuer that it has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of the Acquisition Valuation as at 31 August 2018 and despite no detailed on-site measurement to verify the correctness of the areas in respect of the Remaining Properties is carried out, the

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Independent Valuer considers she has been provided with sufficient information to reach an informed view, and there is no reason to suspect that any material information have been withheld and no irregularities were noted during the course of the Acquisition Valuation.

(b) Valuation methodologies

We noted from the Valuation Report that in performing the Acquisition Valuation, the Independent Valuer has assumed that the Remaining Properties will be developed and completed in accordance with the latest development plan provided by the Company. In addition, Independent Valuer has assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays and that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities, and adopted the following valuation methodologies.

In arriving at the Valuation Report, we noted that the Independent Valuer has adopted the direct comparison approach (the “Direct Comparison Approach”) by making reference to comparable sales evidence as available in the property market of Phnom Penh and has also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The “market value when completed” represents the Independent Valuer’s opinion of the aggregate selling prices of the development assuming that it was completed as at the valuation date.

Based on the above, we have discussed with the Independent Valuer on the rationale of adopting the Direct Comparison Approach for valuing the Remaining Properties. As set out in the Valuation Report, the Acquisition Valuation is the Independent Valuer’s opinion of the market value (“Market Value”) which was defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion and the Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. In the course of our discussion with the Independent Valuer, we were given to understand that there are three commonly adopted valuation methods for valuation of the properties, namely the Direct Comparison Approach, income approach and cost based approach. Income approach is based on capitalisation or conversion of present and predicted income (cash flows), which may take a number of different forms, to produce a single current capital value while cost approach is based on the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction. As advised by the Independent Valuer, the cost based approach is not appropriate as it might not be able to capture the future economic benefits contributed by the properties. Income approach is not adopted as the Remaining Properties are still in the stage of development, projections would therefore involve a high level of uncertainty and long-term forecast estimates, therefore, the Independent Valuer considers that the income approach is an inappropriate methodology for the valuation of the Remaining Properties. Despite the Independent Valuer can conduct the valuation based on the market rent receivable under the Master Lease Agreement, the Direct Comparison Approach considers prices recently paid or asking prices in the locality which has similar characteristics as the property were

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selected, with adjustments made to the unit rate of the comparables with better to show if they are superior or inferior to the subject. Given there are market comparables with public information, the Independent Valuer considered that the Direct Comparison Approach is the most appropriate valuation method in arriving the Acquisition Valuation. We have, in such regard, conducted independent research and noted that the Direct Comparison Approach has been commonly adopted in valuing assets including properties under development of other listed companies in Hong Kong. After considering the reasons for the Independent Valuer's choice of adopting the various valuation methodologies for valuing the Remaining Properties and our independent research, we are of the opinion that, the valuation methodology used behind the Acquisition Valuation are reasonable in establishing the Market Value of the Remaining Properties as at 31 August 2018.

(c) Valuation bases and assumptions

In arriving at the Market Value for the Remaining Properties using the Direct Comparison Approach, Independent Valuer starts the process by collecting and analysing the recent transactions of the properties and market comparables located in the vicinity of the Remaining Properties. The collected comparables were then adjusted to reflect the difference between the comparables and the Remaining Properties in terms of, among others, location, size and quality. The Independent Valuer confirmed that she had reviewed the costs of development and the estimated landscaping cost provided by the Company. In assessing the estimated costs of development of the Remaining Properties, the Independent Valuer has also researched and reviewed a cost report published by other international quantity survey firms in relation to information on unit construction cost per sq.m. of residential, commercial and office or comparable properties. Appropriate adjustments are made in comparing the relevant costs.

We noted that the Independent Valuer has made various assumptions for the Acquisition Valuation, including the followings (i) the property interests would be sold in the open market in their existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the property interests; (ii) no allowance has been made in the valuation for any charges, mortgages or amounts owing on the Remaining Properties valued nor for any expenses or taxation which may be incurred in effecting a sale; (iii) unless otherwise stated, all the is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values; (iv) the properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated; (v) for any use of the properties upon which the valuation report is based, all required licenses, permit, certificates, and authorisations have been obtained; (vi) unless otherwise stated, transferable land use rights in respect of such properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid; and (vii) the owners of such property interests have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted. Details of the assumptions made by the Independent Valuer for the Acquisition Valuation are set out in the Appendix III to the Circular.

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In the course of our assessments, we have discussed with the Company and the Independent Valuer and reviewed on the key assumptions made and we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation Report. In addition, based on the aforementioned due diligence work, we are of the opinion that the valuation methodology used behind the Acquisition Valuation is reasonable in establishing the Market Value of the Remaining Properties as at 31 August 2018 and the Acquisition Valuation was fairly and reasonably determined by the Independent Valuer.

Having considered that (i) the Acquisition Valuation was fairly and reasonably determined by the Independent Valuer; (ii) the Consideration of approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) represents a discount of approximately 5.8% to the Acquisition Valuation; and (iii) the unit rate used in the Acquisition Valuation fair market value of the Remaining Properties (on completion basis) is based on an assumed unit rate of US\$3,100 per sq.m. on saleable area basis which represents a premium of approximately 0.9% as compared to the unit rate of Properties of US\$3,072 as at 30 September 2017 as set out in the circular of the Company dated 31 October 2017, we consider the Consideration to be on normal commercial term or better, fair and reasonable so far as the Independent Shareholders are concerned.

7.2 Review on historical price performance of the Share

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 28 August 2017 up to and including 28 August 2018 (the “Review Period”), being approximately one year prior to the date of the Long Term Lease Agreement which is a commonly used tenure for analysis and demonstration purposes and provides a sufficient timeframe to illustrate the recent general trend and level of movement of the closing prices of the Shares. The comparison of daily closing prices of the Shares with the Issue Price is illustrated as follows:

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Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the daily closing price of the Share ranged from HK\$0.101 to HK\$0.217 and demonstrated a sliding trend in general. It is noted that the Issue Price represents (i) a discount of approximately 6.2% to the lowest daily closing price during the Review Period; (ii) a discount of approximately 56.4% to the highest daily closing price during the Review Period; and (iii) a discount of approximately 37.9% to the average daily closing price during the Review Period. However, it is also noted that the Issue Price represents a premium of approximately 78.3% over the net asset value per Share attributable to the owners of the Company of approximately HK\$0.0531 as at 30 June 2018.

7.3 Market comparable analysis

As part of our analysis, we have, on a best effort basis, also conducted an analysis of connected transactions of companies listed on the main board of the Stock Exchange in relation to acquisition involving the issue of shares as settlement of all or part of the consideration since 28 February 2018 and up to and including the date of the Long Term Lease Agreement (the “Comparable Issues”), being approximately six months prior to the date of the Long Term Lease Agreement (the “Comparable Issues Period”) (excluding transactions involving (i) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded in the Stock Exchange such as its A-share or domestic shares; and (ii) whitewash waiver application under the Takeovers Code or general offer obligations pursuant to the Takeovers Code which we consider these transactions are different from the Company’s circumstance and the structure of the transaction to avoid misalignment). To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of connected transactions in relation to acquisitions involving the issues of shares as settlement of all or part of the consideration meeting the aforesaid criteria.

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We consider that the Comparable Issues Period is adequate and appropriate for identifying Comparable Issues as (i) the Comparable Issues are considered to assess recent market practice in relation to the principal terms under the current market conditions and issues further back in time may not be indicative of the current market sentiment; and (ii) we were able to identify 14 Comparable Issues within such period, which in our opinion, constitute a sufficiently representative sample for comparison purpose.

It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. Despite there is no specific criteria on the nature of assets being acquired, we believe the Comparable Issues can provide general reference of the terms for an exhaustive list of connected transactions in relation to acquisitions involving the issues of shares as settlement of all or part of the consideration in Hong Kong under the current market environment meeting the aforesaid criteria and further limit the nature of assets being acquired would result in a smaller sample size and thus unable to provide a representative sample demonstrating the current market sentiment for comparison purpose. As such, we consider the Comparable Issues to be representative and relevant in assessing the fairness and reasonableness of the Issue Price regardless the range of the premium/discount for the Comparable Issues. In addition, in order to provide meaningful information for the Independent Shareholders to make their voting decision, we have excluded Kiu Hung International Holdings Limited as an outlier in our analysis below.

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Date of announcement	Stock code	Company name	Issue price HK\$	Premium/(discount) of the issue price over/(to) the average closing price for	
				closing price of the last trading day prior to/on the date of respective announcements (%)	the last five consecutive trading days prior to/on the date of respective announcements (%)
10 August 2018	3313	ArtGo Holdings Limited	0.450	8.43	11.94
10 August 2018	1689	Huaxi Holdings Company Limited	2.000	(3.85)	(3.47)
9 August 2018	1389	Major Holdings Limited	0.104	–	(0.57)
7 August 2018	1310	HKBN Ltd.	11.600	(5.38)	(5.48)
3 August 2018	1269	China First Capital Group Limited	5.020	(4.74)	(1.76)
30 July 2018	82	V1 Group Limited	0.286	(40.40)	(35.90)
5 July 2018	164	China Baoli Technologies Holdings Limited	0.05729	(22.58)	(15.00)
19 June 2018	381	Kiu Hung International Holdings Limited	0.100	170.27	140.38
5 June 2018	2768	Jiayuan International Group Limited	14.180	(3.54)	(5.79)
30 May 2018	108	GR Properties Limited	0.800	2.56	(2.44)
24 May 2018	512	China Grand Pharmaceutical and Healthcare Holdings Limited	4.200	(33.80)	(33.00)
9 May 2018	596	Inspur International Limited	2.650	(2.93)	(2.21)
3 May 2018	2221	New Concepts Holdings Limited	3.500	(12.30)	(10.30)
28 March 2018	1341	Hao Tian International Construction Investment Group Limited	0.400	17.65	15.61
		Maximum		170.27	140.38
		Minimum		(40.40)	(35.90)
		Average		4.96	3.72
		Average (note)		(7.76)	(6.80)
28 August 2018	2309	Issue Price	0.0947	(6.2)	(7.9)

Note: It represents average premium/discount of the consideration shares of the Comparable Issues to/over the respective closing price on the last trading day and the last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share excluding Kiu Hung International Holdings Limited as an outlier.

As illustrated by the above table, the issue price of the consideration shares of the Comparable Issues (i) ranged from a discount of approximately 40.40% to a premium of approximately 170.27% to/over the respective closing price on the last trading day prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share, with an average of a premium of approximately 4.96% and an average of a discount of approximately 7.76% excluding Kiu Hung International Holdings Limited as an outlier; and (ii) ranged from a discount of approximately 35.90% to a premium of approximately 140.38% to/over the respective average closing price for the last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share, with an average of a premium of approximately 3.72% and an average of a discount of approximately 6.80% excluding Kiu Hung International Holdings Limited as an outlier.

Upon comparison, we note that (i) the discount of the Issue Price to the closing price on the date of the Long Term Lease Agreement of approximately 6.2% is within the range among the Comparable Issues and lower than the discount of approximately 7.76% to the issue prices of the consideration shares of the Comparable Issues excluding Kiu Hung International Holdings Limited

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as an outlier; and (ii) the discount of the Issue Price to the average closing price for the last five consecutive trading days immediately prior to the date of the Long Term Lease Agreement of approximately 7.9% is within the range among the Comparable Issues.

Having considered that (i) the daily closing price of the Share demonstrated a sliding trend in general during the Review Period; (ii) a discount of approximately 4.3% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (iii) the Issue Price represented a premium of approximately 78.3% over the net asset value per Share attributable to the owners of the Company of approximately HK\$0.0531 as at 30 June 2018; (iv) the issue prices of 9 out of the 14 Comparable Issues represent a discount to the respective closing price on the last trading day prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share and the issue prices of 11 out of the 14 Comparable Issues represent a discount to the respective closing price for the last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share; (v) the discount to the Issue Price to the closing price on the date of the Long Term Lease Agreement of approximately 6.2% is lower than the average discount of approximately 7.76% to the issue prices of the consideration shares of the Comparable Issues excluding Kiu Hung International Holdings Limited as an outlier; and (vi) the discount of the Issue Price to the closing price on the date of the Long Term Lease Agreement and to the average closing price for the last five consecutive trading days immediately prior to the date of the Long Term Lease Agreement lie within the range among the Comparable Issues, we consider that the Issue Price is comparable to the Comparable Issues and thus we concur with the Directors' view that the Issue Price is on normal commercial term or better, fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

8. Annual Caps

The proposed annual caps for the continuing connected transactions under the Master Lease Agreement for each of the three years ending 30 June 2019, 2020 and 2021 are as follows:

	Year ending 30 June		
	2019	2020	2021
US\$	681,000	3,181,000	3,613,000

The Annual Caps are determined based on the rent receivable by the Group under the Master Lease Agreement and the expected commencement of the lease of the Building and the Block in or about December 2018 (following approval by the Independent Shareholders at the EGM) and September 2019, respectively.

8.1 Evaluation of the Rent

The Group has appointed the Independent Valuer, JP Assets Consultancy Limited, to perform a fair rental opinion of the rent of Building and the Block under the Master Lease Agreement. Based on the rental opinion letter, the Independent Valuer is of the opinion that the rent payable under the Master Lease Agreement is fair and reasonable and consistent with the prevailing market rents for

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similar premises in similar locations in Cambodia. In addition, all the terms of the Master Lease Agreement are made on normal commercial terms and the duration of the lease under the Master Lease Agreement is consistent with prevailing market.

In order to assess the basis in valuating the rent, we have reviewed rental opinion letter and the valuation report prepared by the Independent Valuer and discussed with the Valuer and the Directors in respect of the evaluation of the Independent Valuer (the “Rent Evaluation”). For the purpose of due diligence, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Group; (ii) the Independent Valuer’s qualification and experience in relation to the performance of the Rent Evaluation; and (iii) the methodologies used and assumptions adopted by the Independent Valuer when conducting the Rent Evaluation. We have reviewed Independent Valuer’s qualification and experience in relation to the performance of the Rent Evaluation set out in the paragraph headed “7.1 Valuation of the Remaining Properties” above.

We have also reviewed the terms of engagement letter of Independent Valuer and noted that the purpose of which is to prepare a fair rental opinion on the rent receivable under the Master Lease Agreement. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by Independent Valuer in the Rent Evaluation. We also understand from Independent Valuer that it has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of the Rent Evaluation and despite no detailed on-site measurement to verify the correctness of the areas in respect of the Remaining Properties is carried out, the Independent Valuer considers she has been provided with all the information necessary for analysis and given the advice upon the fairness and reasonableness opinion in respect of the Master Lease Agreement.

(a) Basis of evaluation and assumptions

As discussed with the Independent Valuer, we understand the assessment of market rent refers to the estimated amount for which a property would be leased on the evaluation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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

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In the course of our assessments, we have discussed with the Company and Independent Valuer and reviewed on the key assumptions made and we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Rent Evaluation. As such, we consider the Rent Evaluation was fairly and reasonably determined by the Independent Valuer. We have also reviewed the research report published by CBRE Cambodia for the 2nd quarter of 2018 and noted that the average rent relating to prime condominium in Phnom Penh is approximately US\$14.3 per sq.m. Based on the foregoing, we consider the rent per sq.m. under the Master Lease Agreement was no less favourable to the Group than the recent rent transactions completed by independent third party in Phnom Penh.

8.2 Internal control measures

As advised by the management of the Group, the internal control measures in respect of the transactions contemplated under the Master Lease Agreement include:

- the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the Annual Caps will not be exceeded;
- reports which contain total transaction amount under the Master Lease Agreement will be submitted to the management of the Group on a monthly basis; and
- the independent non-executive Directors and the auditors of the Company will conduct annual review of the transactions contemplated under the Master Lease Agreement.

We are given to understand from the management of the Group that the management of the Group would review the work done by relevant staff to ensure that all the internal control policies are properly performed by responsible staff. The decision for whether to renew leases will be made by the management of the Group upon reviewing comparable quotations. We are also given to understand from the Company that the Company performs internal control assessment from time to time. Having discussed with the management of the Group and given that the internal control procedures as set out above, we are of the view that the internal control procedures adopted by the Company for the continuing connected transactions are adequate.

We have recalculated the estimated rent receivable by the Group during the three years ending 30 June 2019, 2020 and 2021 under the Master Lease Agreement based on the expected commencement of the lease of the Building and the Block in or about December 2018 and September 2019, respectively. We have also reviewed the other major terms of the Master Lease Agreement and did not identify any unusual terms, and having considered that (i) the rent per sq.m. under the Master Lease Agreement was no less favourable to the Group than the recent rent transactions completed by independent third party in Phnom Penh; (ii) Rent Evaluation was fairly and reasonably determined by the Independent Valuer; and (iii) the internal control procedures adopted by the Company for the continuing connected transactions are adequate, we concur with the Directors' view that the terms of the Master Lease Agreement and the Annual Caps are fair and reasonable.

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9. Financial impact of the Transactions

9.1 *Effect on the Group's cash and working capital*

As disclosed in the 2018 Annual Report, the Group had bank balances and cash and equity attributable to owners of the Company of approximately HK\$69.2 million and HK\$583.2 million as at 30 June 2018, respectively. The Group intends to finance the payment of the Consideration (i) as to US\$10.1 million (equivalent to approximately HK\$78.8 million) by the allotment and issue of the Consideration Shares; and (ii) as to US\$6.2 million (equivalent to approximately HK\$48.4 million) by cash. The Group intends to fund the payment of the cash consideration by internally available resources.

In view of (i) the amount of cash and cash equivalents of the Group as mentioned above; (ii) the settlement of the cash portion is expected to be around September 2019, being no later than seven (7) Business Days following the Delivery Date; (iii) the rent receivable from the Building is expected to commence from December 2018; and (iv) as set out in the Letter from the Board, the Group has undrawn borrowing facilities of approximately HK\$238.8 million as at 30 June 2018; and (v) our review of the working capital requirements of the Company, the Company's management expects, and we concur that the Company would have sufficient fund to settle the cash portion of the Consideration of US\$6.2 million (equivalent to approximately HK\$48.4 million).

9.2 *Effect on the earnings*

As set out under the paragraph headed "2. Financial information of the Group" of this letter, the Group generated revenue of approximately HK\$208.0 million, HK\$173.0 million and HK\$169.3 million, and loss attributable to the owners of the Company of approximately HK\$425.0 million, HK\$177.7 million and HK\$58.6 million for the years ended 30 June 2018, 2017 and 2016, respectively. Given the loss making position of the Group as discussed above and the rent receivable by the Group under the Master Lease Agreement, it is expected that the Transactions would enhance the Group's revenue stream upon the completion of the Transactions.

9.3 *Effect on the net asset value*

As set out in the Letter from the Board, it is expected that upon completion of the transactions contemplated under the Long Term Lease Agreement, non-current assets will increase by approximately HK\$134.9 million being the fair value of the Remaining Properties with reference to the independent valuation report issued by the Independent Valuer as set out in Appendix III to the Circular, and current liabilities will increase by approximately HK\$48.4 million, being the amount due to GRED under the Long Term Lease Agreement.

According to the unaudited pro forma statement of asset and liabilities of the Group contained in Appendix II to the Circular, the unaudited consolidated equity attributable to the owners of the Company as at 30 June 2018 would be increased by HK\$86.6 million as a result of the Transactions. Based on the above and that the Issue Price represents a premium of approximately 78.3% over the net asset value per Share attributable to the owners of the Company of approximately HK\$0.0531 as at 30 June 2018, the net asset value per Share of the Group is expected to increase upon completion of the Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the possible financial effects of the Transactions to the Group as mentioned above, we are of the opinion that the Transactions will likely to enhance the Group's revenue stream as well as the asset base of the Group.

10. Effect of the Transactions on the shareholding of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares:

Name of Shareholder	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	Approximate percentage of issued Share	Number of Shares	Approximate percentage of issued Share
Trillion Trophy Asia Limited ^(Note 1)	3,825,000,000	34.86%	3,825,000,000	32.40%
GRED and its associates (including Ever Depot) ^(Note 2)	2,086,551,000	19.01%	2,919,161,000	24.72%
Dragon Villa Limited ^(Note 3)	2,094,366,000	19.08%	2,094,366,000	17.74%
Public Shareholders	<u>2,968,154,672</u>	<u>27.05%</u>	<u>2,968,154,672</u>	<u>25.14%</u>
	<u>10,974,071,672</u>	<u>100.00%</u>	<u>11,806,681,672</u>	<u>100.00%</u>

Notes:

- (1) Trillion Trophy Asia Limited is a wholly-owned subsidiary of Wealthy Associates International Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul.
- (2) GRED is wholly-owned by Mr. Vong Pech. Ever Depot is a wholly-owned subsidiary of GRED.
- (3) Dragon Villa Limited is wholly-owned by Mr. Lei Sutong.

As illustrated in the table above, the shareholdings of the existing public Shareholders will be diluted from approximately 27.05% as at the Latest Practicable Date to approximately 25.14% immediately after the allotment and issue of the Consideration Shares. In addition, based on (i) the price discount of the Issue Price of approximately 6.2% to the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) the aggregate of 832,610,000 Consideration Shares to be allotted and issued; and (iii) 11,806,681,672 Shares immediately after the allotment and issue of the Consideration Share, the value dilution of the Transactions to the existing public Shareholders would be approximately 0.4%.

Although there will be a dilution of shareholding to the Independent Shareholders based on the price discount of the Issue Price of approximately 6.2% to the closing price of HK\$0.101 per Share as quoted on the Stock Exchange on the Last Trading Day, the Independent Shareholders should note that the Company will benefit from the Transactions after taken into account the reasons as stipulated in the paragraph headed "6. Reasons for and benefits of the Transactions" above. Accordingly, we consider that the shareholding dilution effects for the issuance of the Consideration Shares is acceptable so far as the Independent Shareholders concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Based on the abovementioned principal factors and reasons for and benefits of the Transactions, we are of the view that (i) the transactions under the Master Lease Agreement are conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Long Term Lease Agreement and the Master Lease Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) whether the entering into of the Long Term Lease Agreement and the Master Lease Agreement, together with the adoption of the annual caps in respect of the Master Lease Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 14 years of experience in the finance and investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 30 June 2016, 2017 and 2018 are disclosed in the annual reports of the Group for the years ended 30 June 2016 (pages 41 to 119) and 30 June 2017 (pages 51 to 123) and 30 June 2018 (pages 50 to 123), respectively. The above said published annual reports of the Group are available on the Company's website at www.bshl.com.hk and the website of the Stock Exchange at www.hkexnews.hk through the links below:

2018 annual report	http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1030/LTN20181030343.pdf
2017 annual report	http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/1030/LTN20171030231.pdf
2016 annual report	http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/1028/LTN20161028548.pdf

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is engaged in investment holding and the principal activities of its major subsidiaries are the operation of a professional football club in the United Kingdom and investment in properties.

The Company has been actively seeking business opportunities from time to time, including investments in new markets, in order to enhance the long term growth potential of the Company and the shareholder value. The Company believes that the Transactions can further secure a stable stream of income and thereby enhancing value to the Shareholders. At the same time, the Group will benefit from the possibility of future long term appreciation in value of the Building and the Block.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

	<i>HK\$'000</i>
Loan from a shareholder	66,197
Other loans	<u>271,184</u>
	<u><u>337,381</u></u>

The loan from a shareholder and the other loans are at fixed interest rates and are unsecured and unguaranteed.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at the close of business on 31 October 2018.

Contingent Liabilities

As at 31 October 2018, the Group had the following contingent liabilities:

(a) Player transfer costs

Under the terms of certain contracts with other football clubs in respect of player transfers, additional player transfer cost would become payable if certain specific conditions are met. The maximum amount not provided that could be payable in respect of the transfers up to 31 October 2018 was approximately HK\$66,214,000 (equivalent to approximately GBP6,641,000).

(b) Litigation: High Court Action No. 1099 of 2013

On 9 May 2013, Mr. Lee Yiu Tung (“Mr. Lee”), a former executive director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for, *inter alia*, unpaid wages, wages in lieu of notice and expenses allegedly paid by him on behalf of the Company for a sum of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee on 8 October 2013 in respect of, *inter alia*, wages paid to him in the aggregate sum of HK\$240,000 for the months from July to October 2012 and reimbursement of out-of-pocket expenses paid by the Company to him during 2010 to 2012 totaling approximately HK\$2,000,000. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to transfer the case to the High Court of Hong Kong (the “High Court”).

This trial hearing of this case is now fixed on 2 to 6 March 2020. The pre-trial review will be held on 4 December 2019.

In this statement of indebtedness, certain foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 October 2018.

4. WORKING CAPITAL

Taking into account the expected completion of the Long Term Lease Agreement, the Master Lease Agreement and the transactions contemplated thereunder and the financial resources available to the Group (including the internally generated funds and the available loan facilities), the Board, after due and careful enquiry, is of the opinion that the Group shall have sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular in the absence of any unforeseen circumstances.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 30 June 2018 being the date to which the latest published audited consolidated financial statements of the Group has been made up, and up to the Latest Practicable Date.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Deep Blue Trade (Cambodia) Co., Ltd. (“Deep Blue”), an indirect wholly-owned subsidiary of Birmingham Sports Holdings Limited (the “Company”), has entered into a long term lease agreement (the “Long Term Lease Agreement”) with Ever Depot Limited, a substantial shareholder of the Company, to lease (i) 22 residential apartments on four floors and all areas on three floors at Block C of One Park with total saleable area of approximately 3,468.15 sq.m.; and (ii) portion of the podium and corridor connected to the main building of the condominium with saleable area of approximately 1,791.34 sq.m. (the “Remaining Properties”) for 50 years commencing from the delivery date, which may be extended for such period(s) as determined by Deep Blue under the same terms and conditions as contained in the Long Term Lease Agreement. The consideration of approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) would be settled by issuance of 832,610,000 new shares of the Company at the issue price of HK\$0.0947 per share and cash of US\$6.2 million (equivalent to approximately HK\$48.4 million) payable no later than seven (7) business days following the delivery date.

The Company and its subsidiaries are collectively referred to as the “Group”.

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the “Statement”) has been prepared to illustrate the effect of the Long Term Lease Agreement, assuming the transaction had been completed as at 30 June 2018, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published annual report of the Group, after making certain pro forma adjustments resulting from the Long Term Lease Agreement.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Long Term Lease Agreement actually occurred on 30 June 2018. Furthermore, the Statement does not purport to predict the Group’s future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular and other financial information included elsewhere in this circular.

(B) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Group as at 30 June 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note 2)</i>	Pro Forma of the Group <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	211,007	–	211,007
Intangible assets	197,024	–	197,024
Investment properties	393,908	134,940	528,848
Interest in a joint venture	<u>1,073</u>	<u>–</u>	<u>1,073</u>
Total non-current assets	<u>803,012</u>	<u>134,940</u>	<u>937,952</u>
Current assets			
Inventories	6,469	–	6,469
Trade receivables	19,167	–	19,167
Deposits, prepayment and other receivables	51,946	–	51,946
Cash and cash equivalents	<u>69,221</u>	<u>–</u>	<u>69,221</u>
Total current assets	<u>146,803</u>	<u>–</u>	<u>146,803</u>
Current liabilities			
Transfer fee payables	60,626	–	60,626
Trade payables	13,507	–	13,507
Amount due to a related party	–	48,326	48,326
Accruals and other payables	48,604	–	48,604
Deferred capital grants	585	–	585
Deferred income	24,969	–	24,969
Borrowings	<u>66,201</u>	<u>–</u>	<u>66,201</u>
Total current liabilities	<u>214,492</u>	<u>48,326</u>	<u>262,818</u>
Net current liabilities	<u>(67,689)</u>	<u>(48,326)</u>	<u>(116,015)</u>
Total assets less current liabilities	<u>735,323</u>	<u>86,614</u>	<u>821,937</u>

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group as at 30 June 2018 HK\$'000 (Note 1)	Pro forma adjustments HK\$'000 (Note 2)	Pro Forma of the Group HK\$'000
Non-current liabilities			
Transfer fee payables	25,650	–	25,650
Accruals and other payables	7,883	–	7,883
Deferred capital grants	14,996	–	14,996
Borrowings	99,814	–	99,814
Deferred tax liabilities	20,970	–	20,970
	<u>169,313</u>	<u>–</u>	<u>169,313</u>
Total non-current liabilities	<u>169,313</u>	<u>–</u>	<u>169,313</u>
NET ASSETS	<u>566,010</u>	<u>86,614</u>	<u>652,624</u>
Capital and reserves			
Share capital	109,741	8,326	118,067
Reserves	473,494	78,288	551,782
	<u>583,235</u>	<u>86,614</u>	<u>669,849</u>
Equity attributable to owners of the Company	583,235	86,614	669,849
Non-controlling interests	(17,225)	–	(17,225)
	<u>566,010</u>	<u>86,614</u>	<u>652,624</u>
TOTAL EQUITY	<u>566,010</u>	<u>86,614</u>	<u>652,624</u>

Notes:

- The financial information is extracted from the audited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published annual report of the Group.
- This adjustment represents the proposed acquisition of properties located in Cambodia through entering into the Long Term Lease Agreement by issuance of 832,610,000 new shares of the Company at HK\$0.0947 per share; and as to US\$6,196,000 (equivalent to approximately HK\$48,326,000) by cash payable no later than seven (7) business days following the delivery date, pursuant to the Long Term Lease Agreement.

The transaction constitutes a share-based payment under HKFRS 2 “Share-based Payment”, which requires the fair value of the goods or services received to be measured at the date the entity obtains the goods or the counterparty renders the services.

The properties are under construction as of the date of the Long Term Lease Agreement. The fair value of the properties was approximately US\$17,300,000 (equivalent to approximately HK\$134,940,000), with reference to the valuation report issued by a professional valuer, JP Assets Consultancy Limited as set out in Appendix III to this circular.

- Save as set out above, the Statement does not take into account any trading results or other transactions of the Group subsequent to the date of the financial statements as included in the Statement.

**(C) ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

20 November 2018

The Board of Directors
Birmingham Sports Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Birmingham Sports Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities of the Group as at 30 June 2018 (the “Statement”) as set out in pages II-2 to II-3 of the circular (the “Circular”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Statement are set out in Section A of Appendix II of the Circular.

The Statement has been compiled by the Directors to illustrate the impact of the proposed entering into a long term lease agreement (the “Long Term Lease Agreement”) to lease (i) 22 residential apartments on four floors and all areas on three floors at Block C of One Park with total saleable area of approximately 3,468.15 sq.m.; and (ii) portion of the podium and corridor connected to the main building of the condominium with saleable area of approximately 1,791.34 sq.m. (the “Remaining Properties”) for 50 years commencing from the delivery date, which may be extended for such period(s) as determined by Deep Blue under the same terms and conditions as contained in the Long Term Lease Agreement. The consideration of approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) would be settled by issuance of 832,610,000 new shares of the Company at the issue price of HK\$0.0947 per share and cash of US\$6.2 million (equivalent to approximately HK\$48.4 million) payable no later than seven (7) business days following the delivery date on the Group’s financial position as at 30 June 2018 as if the Long Term Lease Agreement had been entering into on 30 June 2018. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s audited consolidated financial statements for the year ended 30 June 2018.

Directors' Responsibilities for the Statement

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practicing Certificate Number P03614

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from JP Assets Consultancy Limited, an independent valuer, in connection with its valuation as at 31 August 2018 for the property interests to be acquired by Birmingham Sports Holdings Limited.



Unit 3B, 3/F, Block A, Hong Kong Industrial Centre,
488–491 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

20 November 2018

**The Board of Directors
Birmingham Sports Holdings Limited**

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

Dear Sirs/Madams,

INSTRUCTIONS

We refer to your instruction for us to value the property interests to be acquired (the “Property Interests”) by Birmingham Sports Holdings Limited (the “Company”) or its subsidiaries (together referred as the “Group”) located in the Kingdom of Cambodia (“Cambodia”). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 August 2018 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which we would define as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

The Property Interests are under development in Cambodia, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Company. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison (market) approach by making reference to comparable sales evidence as available in the property market of Phnom Penh and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The “market value when completed” represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the valuation date.

VALUATION STANDARDS

In valuing the Property Interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 Edition.

VALUATION ASSUMPTION

Our valuation has been made on the assumption that the Property Interests would be sold in the open market in their existing state, with the benefit of vacant possession, without the benefit of deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could affect the value of the Property Interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property Interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property Interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

All dimensions, measurements and areas are approximations. No on-site measurement has been conducted. We have reviewed the costs of development and the estimated landscaping cost provided by the Company. In assessing estimated costs of development of the properties, we have also researched and reviewed a cost report published by other international quantity survey firms in relation to information on unit construction cost per square meter (“sq.m.”) of residential, commercial and office or comparable properties. Appropriate adjustments are made in comparing the relevant costs. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Graticity Real Estate Development Co., Ltd. (“GRED”). We have also sought confirmation from the Company and GRED that

no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and have no reason to suspect that any material information has been withheld.

We have also assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, all required licenses, permit, certificates, and authorisations have been obtained.

Moreover, in undertaking our valuation for the Property Interests located in Cambodia, we have assumed that, unless otherwise stated, transferable land use rights in respect of such properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of such Property Interests have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

TITLE INVESTIGATION

In the course of our valuation of the Property Interests, we have relied on the legal opinions provided by the Cambodian legal adviser. We have not, however, examined the original documents to verify ownership or existence of any amendments which do not appear on the copies provided to us. All documents and leases have been used for reference only.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property Interests in August 2018 by Ms. Peggy Lai. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property Interests are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property Interests but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property Interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property Interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property Interests is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

REMARKS

Where necessary, we have adopted the exchange rates for US dollars (“US\$”) to Hong Kong dollars (“HK\$”) at US\$1.0 = HK\$7.8 for illustration purpose.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
JP Assets Consultancy Limited
Peggy Y. Y. Lai
MHKIS, MRICS, RPS(GP), BSc
Director

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 20 years’ experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region including the Kingdom of Cambodia. Ms. Lai is a member of The Royal Institution of Chartered Surveyors and member of The Hong Kong Institute of Surveyors.

Fame Investments Limited (“Celestial Fame”), an indirect wholly-owned subsidiary of the Company. The lease term for the Building is 3 years commencing from the business day following the fulfillment of the conditions (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot. And the lease term for the Properties and the Remaining Properties is 3 years commencing from the Delivery Date (or such other date as Celestial Fame and Ever Depot may agree in writing), which term may be renewed by agreement of Celestial Fame and Ever Depot. The monthly rent is US\$15 per sq.m. per month. Celestial Fame shall be responsible for the payment of any applicable real estate tax and government levies, if any, during the lease term.

4. Our valuation has been made on the following basis and analysis:
 - i. Various relevant sales evidences/asking price in the locality which have similar characteristics as the property were selected. The unit price of these comparables ranges from US\$2,600 to US\$3,400 per sq.m. on saleable area basis. In general, percentage adjustments are made to the unit rate of the comparables to show if they are superior or inferior to the subject. For example, negative adjustment is made to the comparables with better location, quality and amenities to take the comparable properties from its superior position down to an equal level with the subject property, vice versa. Positive adjustment is made to the comparables with larger size to reflect quantum allowance, vice versa. An assumed unit rate of US\$3,100 per sq.m. on saleable area basis of the subject property was then arrived, and
 - ii. The assumed unit rate of the property is in line with the unit rate of these comparables within a reasonable range.
5. In the course of our valuation, we have been provided with a legal opinion on the title to the property issued by Heng & Partners Law Group, the Cambodian legal adviser, which contains, *inter alia*, the following information:
 - i. The Long Term Lease Agreement are legal and enforceable under Cambodian law;
 - ii. GRED has the legal capacity and is duly authorised to sign and perform the Long Term Lease Agreement;
 - iii. Necessary approvals, consents, permits and filings pertaining to the Long Term Lease Agreement have been obtained and completed, save for:
 - Approval on the registration of the perpetual leasehold rights on the subdivided title deed and the approval and issuance of the Perpetual Lease Certificate;
 - iv. The Long Term Lease Agreement provides Deep Blue with good and legal title to the leasehold rights of the property;
 - v. Deep Blue is able to fully enjoy the leasehold right, the right to assign and transfer such leasehold right and is liable for the obligations under the Long Term Lease Agreement;
 - vi. According to the Long Term Lease Agreement, the 50-year long term lease is renewable for another term in accordance with the prevailing laws of Cambodia upon expiration;
 - vii. Deep Blue as the lessee of the leasehold right under the Long Term Lease Agreement has the rights comprising the land use rights coupled with rights of building over the demised premise for the duration of the registered lease term.
6. The following assumptions are made in the course of our valuation:
 - i. The proposed development will comply with the government lease and other statutory requirements upon the completion of the proposed development;
 - ii. Good and alienable title can be proved to be free from any unduly onerous or unusual covenants, restrictions or outgoings upon the completion of the proposed development;
 - iii. The property rights proofed by lease agreement, is legal and valid. Deep Blue has obtained all the relevant approvals upon the completion of the proposed development;
 - iv. There are no easements or rights of way affecting the Remaining Properties upon the completion of the proposed development;

- v. The Remaining Properties are free from and clear of any and all charges, liens and encumbrances of any onerous or unusual nature likely to affect the value thereof upon the completion of the proposed development;
- vi. The Remaining Properties are able to be disposed of freely to local or overseas purchasers upon the completion of the proposed development; and
- vii. The Remaining Properties are to be delivered with immediate vacant possession upon the completion of the proposed development.

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. SHARE CAPITAL

As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>50,000,000,000</u> Ordinary Shares of HK\$0.01 each	<u>500,000,000</u>
<i>Issued and fully paid:</i>	
10,974,071,672 Ordinary Shares of HK\$0.01 each	109,740,717
<u>832,610,000</u> Consideration Shares to be allotted and issued upon Completion	<u>8,326,100</u>
<u>11,806,681,672</u> Total	<u>118,066,817</u>

All the Shares in issue and the Consideration Shares (when allotted and issued) to be issued rank *pari passu* with each other in all respects including as regards to dividends and voting rights. The Consideration Shares to be allotted and issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Consideration Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, chief executives of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

4. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors, as at the Latest Practicable Date, according to the register of interest kept by the Company under section 336 of the SFO, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity and nature of interest	Number of Shares interested (Note i)	Notes	Approximate percentage of issued share capital of the Company
Trillion Trophy Asia Limited	Beneficial owner	3,825,000,000	(ii)	34.86%
Wealthy Associates International Limited	Interest of controlled corporation	3,825,000,000	(ii)	34.86%
Mr. Suen Cho Hung, Paul	Interest of controlled corporation	3,825,000,000	(ii)	34.86%
Ever Depot	Beneficial owner	2,086,551,000	(iii)	19.01%
GRED	Interest of controlled corporation	2,086,551,000	(iii)	19.01%
Mr. Vong Pech	Interest of controlled corporation	2,086,551,000	(iii)	19.01%
Dragon Villa Limited	Beneficial owner	2,094,366,000	(iv)	19.08%
Mr. Lei Sutong	Interest of controlled corporation	2,094,366,000	(iv)	19.08%

Notes:

- (i) All the above interests in the shares of the Company were long positions.
- (ii) Trillion Trophy Asia Limited is a wholly-owned subsidiary of Wealthy Associates International Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Wealthy Associates International Limited and Mr. Suen Cho Hung, Paul are deemed to be interested in the 3,825,000,000 Shares held through Trillion Trophy Asia Limited under the SFO.
- (iii) Ever Depot 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 2,086,551,000 Shares held through Ever Depot under the SFO.
- (iv) Dragon Villa Limited is wholly-owned by Mr. Lei Sutong. Accordingly, Mr. Lei Sutong is deemed to be interested in the 2,094,366,000 Shares held through Dragon Villa Limited under the SFO.

Save as disclosed above, to the best knowledge of the Directors, there is no person known to the Directors, who as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

5. 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 2018, 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 is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

6. 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).

7. 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.

8. LITIGATION

Saved as disclosed in the section headed "3. Statement of Indebtedness – Contingent Liabilities" in Appendix I, 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.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the Company or any of its subsidiaries within two years preceding the date of this circular and are or may be material:

- (a) the facility agreement dated 21 December 2016 entered into between the Company and Trillion Trophy Asia Limited in relation to the provision of a revolving loan facility up to a maximum of HK\$250 million by Trillion Trophy Asia Limited;
- (b) the Equity SPA;
- (c) the long term lease agreement dated 30 June 2017 entered into between Celestial Fame Investment (Cambodia) Co., Ltd. (“Celestial Fame Cambodia”) and GRED relating to the lease of a parcel of land of One Park with a net area of approximately 1,200 sq.m. by GRED to Celestial Fame Cambodia at the total rent of US\$3.0 million;
- (d) the Properties SPA;
- (e) the design and construction contract dated 20 November 2017 entered into between Celestial Fame Cambodia and GRED relating to construction and design work of the Building at a consideration of approximately US\$4.4 million;
- (f) the subscription agreement dated 14 December 2017 entered into between the Company and Chigwell Holdings Limited in relation to the subscription of 500,000,000 Shares at the subscription price of HK\$0.14 per Share;
- (g) the subscription agreement dated 14 December 2017 entered into between the Company and Dragon Villa Limited in relation to the subscription of 714,286,000 Shares at the subscription price of HK\$0.14 per Share;
- (h) the subscription agreement dated 14 June 2018 entered into between the Company and Dragon Villa Limited in relation to the subscription of 1,380,080,000 Shares at the subscription price of HK\$0.105 per share;
- (i) the Long Term Lease Agreement; and
- (j) the Master Lease Agreement.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given its opinion which is contained in this circular:

Name	Qualification
Heng & Partners Law Group	Legal adviser as to Cambodian law
JP Assets Consultancy Limited	An independent valuer
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did any of them have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Group were made up (i.e. 30 June 2018), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

11. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chan Yuk Yee. Ms. Chan is an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Business Law degree from Monash University in Australia and has extensive experience in corporate administration 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:00 a.m. to 6:00 p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the office of the Company at 31/F., Vertical Sq., No. 28 Heung Yip Road, Wong Chuk Hang, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “9. Material Contracts” in this appendix;
- (c) the letter from the Board, the text of which is set out on pages 5 to 21 to this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 54 of this circular;
- (f) the annual reports of the Company for the three years ended 30 June 2016, 2017 and 2018;
- (g) the report on the unaudited pro forma financial information of the Group from ZHONGHUI ANDA CPA Limited as set out in Appendix II to this circular;
- (h) the independent valuation report from the Independent Valuer as set out in Appendix III to this circular;
- (i) written consent referred to in the paragraph headed “10. Experts and Consents” in this appendix; and
- (j) this circular.

EGM NOTICE



BIRMINGHAM SPORTS HOLDINGS LIMITED

伯明翰體育控股有限公司

(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 (the “EGM”) of Birmingham Sports Holdings Limited (the “Company”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 6 December 2018 at 10:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Long Term Lease Agreement dated 28 August 2018 (the “Long Term Lease Agreement”), a copy of which is marked “A” and signed by the chairman of the EGM (the “Chairman”) for the purposes of identification, entered into among Graticity Real Estate Development Co., Ltd. as lessor and Deep Blue Trade (Cambodia) Co., Ltd. as lessee relating to the lease of properties in Cambodia at the aggregate consideration of approximately US\$16.3 million (equivalent to approximately HK\$127.2 million) and all transactions contemplated thereunder or in relation thereto be and are hereby approved, confirmed and/or ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, 832,610,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the “Consideration Shares”), the directors of the Company (the “Directors”) be and are hereby granted a specific mandate (the “Specific Mandate”) to allot, issue, credited as fully paid, the Consideration Shares pursuant to the Long Term Lease Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and

EGM NOTICE

- (c) any Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for completion of the Long Term Lease Agreement, including but not limited to the allotment and issue of the Consideration Shares and to agree to such variation, amendment or waiver in relation thereto.”

2. **“THAT**

- (a) the Master Lease Agreement dated 28 August 2018 (the “Master Lease Agreement”), a copy of which is marked “B” and signed by the Chairman for the purposes of identification, entered into between Celestial Fame Investments Limited as lessor and Ever Depot Limited as lessee relating to the lease of properties in Cambodia and all transactions contemplated thereunder or in relation thereto be and are hereby approved, confirmed and/or ratified;
- (b) the annual caps for the continuing connected transactions constituted by the transactions contemplated under the Master Lease Agreement for the three years ending 30 June 2019, 2020 and 2021 as set out in the circular of the Company dated 20 November 2018 be and are hereby approved, confirmed and/or ratified; and
- (c) any Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for completion of the Master Lease Agreement, including but not limited to agree to such variation, amendment or waiver in relation thereto.”

By Order of the Board
Birmingham Sports Holdings Limited
Zhao Wenqing
Chairman

Hong Kong, 20 November 2018

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of share(s) of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so presents whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

EGM NOTICE

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM 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 Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), all of the above resolutions will be voted by way of poll.
6. If typhoon signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.bshl.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. As at the date of this notice, the Board comprises nine Directors, namely Mr. Zhao Wenqing (*Chairman*), Mr. Huang Dongfeng (*Chief Executive Officer*), Ms. Chan Yuk Yee, Mr. Yiu Chun Kong and Mr. Hsiao Charng Geng as Executive Directors; Mr. Sue Ka Lok as Non-executive Director; and Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as Independent Non-executive Directors.