
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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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)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF INTERESTS IN SUBSIDIARIES;
(II) CONTINUING CONNECTED TRANSACTIONS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



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



Giraffe Capital Limited

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

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 29 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 30 to 63 of this circular.

A notice convening the EGM to be held at Unit 1603-1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Tuesday, 8 December 2020 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 54, 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).

In line with the prevailing practices and guidelines on the prevention of coronavirus ("COVID-19"), the Company may, depending on the development with regard to COVID-19, implement additional precautionary measures at the EGM which may include without limitation:

- compulsory body temperature checks;
- mandatory use of self-prepared surgical face masks at all times during the attendance of the meeting;
- mandatory health declaration – please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the EGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM;
- no refreshments will be provided to attendees; and
- other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the EGM as may be necessary to avoid over-crowding.

In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the EGM, the Company strongly encourages the Shareholders to exercise their right to appoint the chairperson of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. The Company may implement further changes and precautionary measures as appropriate.

17 November 2020

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	28
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	30
APPENDIX I – PROPERTY VALUATION REPORT	I-1
APPENDIX II – GENERAL INFORMATION	II-1
EGM NOTICE	EGM-1

DEFINITIONS

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

“2021-2022 EPL Season”	the 30 th season of the EPL, which is expected to commence in August 2021 and end in May 2022
“2022-2023 EPL Season”	the 31 st season of the EPL, which is expected to commence in August 2022 and end in May 2023
“2023-2024 EPL Season”	the 32 nd season of the EPL, which is expected to commence in August 2023 and end in May 2024
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BCFC” or “Club”	Birmingham City Football Club PLC, a company incorporated in England and Wales and a wholly-owned subsidiary of BCP as at the Latest Practicable Date
“BCFC Board”	the board of directors of BCFC
“BCP”	Birmingham City PLC, a company incorporated in England and Wales and a 96.64% owned subsidiary of the Company as at the Latest Practicable Date
“BCP Group”	BCP and its subsidiaries
“BCP Sale Shares”	the 17,637,682 ordinary shares of GBP0.10 each, credited as fully paid in the capital of BCP, representing approximately 21.64% of the total issued capital of BCP
“BCSL”	Birmingham City Stadium Ltd, a company incorporated in England and Wales and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“BCSL Sale Shares”	the 25 ordinary shares of GBP1.00 each, credited as fully paid in the capital of BCSL, representing 25% of the total issued capital of BCSL
“Board”	board of Directors
“Bonus”	the annual bonus which may be payable by the Company to the Purchaser for the three years ending 30 June 2024 under the Profit and Loss Sharing Arrangement

DEFINITIONS

“Business Day”	a day (other than a Saturday, Sunday, public holiday, or days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted or in effect in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong or London
“BVI”	the British Virgin Islands
“Company”	Birmingham Sports Holdings Limited (伯明翰體育控股有限公司) (stock code: 2309), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Compensation”	the cash compensation which may be payable by the Purchaser to the Company for the three years ending 30 June 2023 under the Profit and Loss Sharing Arrangement
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the second Business Day after all the conditions to the Sale and Purchase Agreement have been fulfilled or such other date as may be agreed between the Purchaser and the Company in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser for the Sale Shares and Sale Loan pursuant to the Sale and Purchase Agreement
“Deed of Variation”	the deed of variation to be entered into between the Company, BCFC and BCSL upon Completion to vary certain terms of the Existing Lease Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the assignment of the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“EFL”	English Football League
“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Tuesday, 8 December 2020 at 10:30 a.m. for considering, and if thought fit, approving the resolutions as set out in the EGM Notice

DEFINITIONS

“EGM Notice”	the notice convening the EGM which is set out on pages EGM-1 to EGM-3 of this circular
“EPL”	English Premier League
“Existing Lease Agreement”	the lease agreement entered into among the Company (as guarantor), BCSL (as landlord) and BCFC (as tenant) dated 31 May 2019, pursuant to which BCSL leased the Stadium to BCFC for a term of twenty five years commencing from 31 May 2019, at a rent of GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum, after which the rent will be reviewed on every fifth anniversary thereof
“Football Club Segment”	the football club business segment of the Group which principally consists of the BCP Group and BCSL
“GBP”	Pound Sterling, the lawful currency of the UK
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all Independent Non-executive Directors formed to advise the Independent Shareholders on the Transaction Documents and the respective transactions contemplated thereunder
“Independent Financial Adviser”	Giraffe Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the respective transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s), other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Transaction Documents and the respective transactions contemplated thereunder
“Independent Valuer”	JP Assets Consultancy Limited, an independent valuer appointed by the Group for the preparation of the property valuation report on the Stadium and the Training Pitch, the summary of which is disclosed in Appendix I to this circular

DEFINITIONS

“Latest Practicable Date”	11 November 2020, 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 2020, or such later date as may be agreed between the Company and the Purchaser
“Profit and Loss Sharing Arrangement”	the profit and loss sharing arrangement between the Company and the Purchaser pursuant to the Shareholders’ Agreement as disclosed under the paragraph headed “The Profit and Loss Sharing Arrangement” in this circular
“Purchaser”	Oriental Rainbow Investments Limited, a company incorporated in the BVI, the entire issued share capital of which is wholly-owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 October 2020 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Loan”	such amount of loan as shall be outstanding and owing by BCP to the Company to be assigned to the Purchaser, representing approximately 21.64% of the total outstanding amount of the shareholder’s loan outstanding and owing by BCP to the Company as at Completion. Such amount of loan shall not exceed GBP25.5 million (equivalent to approximately HK\$252.5 million) on Completion
“Sale Shares”	the BCP Sale Shares and the BCSL Sale Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shareholders’ Agreement”	the conditional shareholders’ agreement dated 9 October 2020 entered into between the Company and the Purchaser in relation to the BCP Group
“Stadium”	the land and buildings known as St. Andrew’s Trillion Trophy Stadium, Cattell Road, Birmingham, B9 4NH, which is currently leased by BCSL (as landlord) to BCFC (as tenant) under the Existing Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Training Pitch”	the Club’s training pitch located at West Hills Playing Fields, West Hill Lane, Birmingham B38 9EH
“Transaction Documents”	collectively the Sale and Purchase Agreement, the Shareholders’ Agreement, the Deed of Variation and the Varied Lease Agreement
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Takeover Code”	The City Code on Takeovers and Mergers of the UK, which is issued and administered by the UK Takeover Panel
“UK Takeover Panel”	the Takeover Panel of the UK
“Varied Lease Agreement”	the Existing Lease Agreement as varied by the Deed of Variation, pursuant to which BCSL (as landlord) shall lease the Stadium to BCFC (as tenant) for a term ending on 30 June 2023, at a rent of GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum
“%”	per cent

For illustration purpose only, conversion of GBP into HK\$ in this circular is based on the exchange rate of GBP1 to HK\$9.9.

In the event of inconsistency, the English text of this circular and the EGM Notice 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*)
Mr. Yiu Chun Kong
Mr. Hsiao Charng Geng
Dr. Guo Honglin

Non-executive Director:

Mr. Sue Ka Lok

Independent Non-executive Directors:

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

Registered office:

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

Principal place of business in Hong Kong:

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

17 November 2020

To the Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF INTERESTS IN SUBSIDIARIES;
(II) CONTINUING CONNECTED TRANSACTIONS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 October 2020 in relation to, among others, the Disposal and the Varied Lease Agreement.

LETTER FROM THE BOARD

On 9 October 2020 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of the Sale Shares and the Sale Loan, respectively, at the initial aggregate Consideration of GBP5.4 million (equivalent to approximately HK\$53.5 million) in cash.

Upon Completion, the Group's equity interest in BCP will decrease from 96.64% to 75% and the Group's equity interest in BCSL will decrease from 100% to 75%. The Group will continue to exercise control over the board of directors of BCP and BCSL. As such, BCP and BCSL will remain the subsidiaries of the Company and their financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group.

Upon Completion, the Company, BCSL and BCFC will enter into the Deed of Variation to vary certain terms of the Existing Lease Agreement in relation to the lease of the Stadium. Pursuant to the Varied Lease Agreement, BCSL (as landlord) shall continue to lease the Stadium to BCFC (as tenant) for a term ending on 30 June 2023, at a rent of GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum for use as the football stadium and for ancillary uses by BCFC.

The purpose of this circular is to provide you with, among other things, (i) details of the Transaction Documents and the respective transactions contemplated thereunder; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the property valuation report from the Independent Valuer on the Stadium and the Training Pitch; and (v) the EGM Notice.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 9 October 2020

Parties: the Company; and
the Purchaser.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement:

- (a) the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell:
 - (i) the BCP Sale Shares, representing approximately 21.64% of the issued share capital of BCP;
 - (ii) the BCSL Sale Shares, representing 25% of the issued share capital of BCSL; and

LETTER FROM THE BOARD

- (b) the Company has conditionally agreed to assign and the Purchaser has conditionally agreed to accept the assignment of the Sale Loan, representing approximately 21.64% of the total amount of the shareholder's loan outstanding and owing by BCP to the Company as at Completion.

The Sale Shares shall be acquired by the Purchaser free from all encumbrances as at the Completion Date together with all rights attached thereto including the right to receive all dividends and distribution declared, made or paid on or after the Completion Date and all rights, title, interest and benefits in and to the Sale Loan shall be assigned to the Purchaser with effect from the Completion Date. As at 31 August 2020, based on the management accounts of BCP, its total outstanding loans owing to the Company amounted to approximately GBP110.6 million (equivalent to approximately HK\$1,094.9 million), based on which the Sale Loan amounted to approximately GBP23.9 million (equivalent to approximately HK\$236.6 million) as at 31 August 2020.

The Company acknowledges that the Purchaser may be interested to acquire further stakes in BCP and BCSL from the Company (the "Possible Further Sale"), provided that:

- (i) the consideration payable by the Purchaser to the Company and other terms for the Possible Further Sale shall be subject to further agreement between the Purchaser and Company after arm's length negotiation; and
- (ii) completion of the Possible Further Sale shall be subject to the fulfilment of certain conditions precedent which will include, *inter alia*, the following:
 - (a) compliance with all applicable laws, rules and regulations including but not limited to the Listing Rules for the transactions contemplated under the Possible Further Sale (which may include approval of the Possible Further Sale and the transactions contemplated thereunder by the Shareholders at an extraordinary general meeting); and
 - (b) the grant of any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong, the UK or elsewhere (including but not limited to the Stock Exchange).

As at the Latest Practicable Date, the Purchaser had only expressed its interest to acquire further stakes in BCP and BCSL. The Possible Further Sale will be subject to a number of factors, which include but not limited to (i) the performances of the Club subsequent to the Disposal; (ii) the operational and financial results of the Club; (iii) the then intention of the Purchaser or the Company; and (iv) the then negotiations between the Company and the Purchaser. Therefore, the Possible Further Sale may or may not materialise, subject to further negotiations between the Company and the Purchaser, if and where applicable. The Directors confirmed that as at the Latest Practicable Date, there was no concrete discussion or consensus between the Company and the Purchaser in relation to the terms (including the portion of equity interests in BCP and BCSL) of the Possible Further Sale. Accordingly, no formal or informal arrangement, agreement or undertaking with respect to the Possible Further Sale has been entered into between the Company and the Purchaser.

LETTER FROM THE BOARD

Consideration

The initial Consideration for the sale and purchase of the Sale Shares and the assignment of the Sale Loan shall be GBP5.4 million (equivalent to approximately HK\$53.5 million) in aggregate which shall be payable by the Purchaser to the Company in cash within 10 Business Days upon Completion.

In the event that the Sale Loan exceeds GBP23.9 million (equivalent to approximately HK\$236.6 million) as at Completion, the Purchaser shall pay a further consideration to the Company in the sum equal to such excess in cash within 30 Business Days upon Completion. As the parties to the Sale and Purchase Agreement agreed that the Sale Loan shall not exceed GBP25.5 million (equivalent to approximately HK\$252.5 million) as at the Completion Date, the total Consideration is expected to be not more than GBP7.0 million (equivalent to approximately HK\$69.3 million).

The initial Consideration was determined after arm's length negotiations between the Company and the Purchaser, after taking into consideration (i) the adjusted net liabilities of BCP and BCSL in the amount of approximately GBP80.1 million (equivalent to approximately HK\$793.0 million) and approximately GBP4.9 million (equivalent to approximately HK\$48.5 million) as at 30 June 2020, respectively, based on the net liabilities (before revaluation adjustments) of BCP and BCSL of approximately GBP80.1 million (equivalent to approximately HK\$793.0 million) and approximately GBP10.0 million (equivalent to approximately HK\$99.0 million) as at 30 June 2020, respectively, and the market values of the Stadium and the Training Pitch appraised by the Independent Valuer of approximately GBP20.7 million (equivalent to approximately HK\$204.9 million) and approximately GBP3.2 million (equivalent to approximately HK\$31.7 million) as at 30 June 2020, respectively; (ii) the amount of the Sale Loan of approximately GBP23.9 million as at 31 August 2020; (iii) financial performance of the Football Club Segment for the year ended 30 June 2020 having recorded a segment loss of approximately HK\$186.5 million; (iv) the Profit and Loss Sharing Arrangement; and (v) the benefits of the Disposal and use of proceeds as set out in the section headed "Reasons for and benefits of the Disposal and use of proceeds" below.

Conditions precedent

Completion shall be conditional upon and subject to the fulfilment and satisfaction of the following conditions precedent:

- (i) the approval of:
 - (a) the Sale and Purchase Agreement and the transactions contemplated thereunder; and
 - (b) the Varied Lease Agreement, the Deed of Variation and the transactions contemplated thereunder,by the Independent Shareholders at the EGM in accordance with the Listing Rules; and
- (ii) the necessary approval from any relevant third parties (including but not limited to any government, government organisation, regulatory authority or any takeover or other listing authority) in relation to the transactions contemplated under the Sale and Purchase Agreement.

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

LETTER FROM THE BOARD

If any of the conditions above are not satisfied by the Long Stop Date, either party may by written notice to the other party terminate the Sale and Purchase Agreement without prejudice to the rights and liabilities which accrued prior to termination, which shall continue to subsist.

The sale and purchase of the Sale Shares and the assignment of the Sale Loan are interdependent and shall be completed simultaneously.

Completion

Completion shall take place on the second Business Day after all the conditions to the Sale and Purchase Agreement have been fulfilled or at such time as may otherwise be agreed.

Acknowledgement and undertaking

The Purchaser and the Company acknowledged that the Sale Loan is interest-free and repayable on demand, and after the Completion Date, in the event that BCP and/or BCSL is required to repay any shareholder's loan owing to the Purchaser and the Company, such repayment shall only be made on a pro rata basis in proportion to the amount of shareholder's loan owing to each of the Purchaser and the Company respectively at the time of repayment.

The Purchaser further undertook to the Company that it will not request BCP and/or BCSL to repay any of the shareholder's loan (including but not limited to the Sale Loan) owing by BCP and/or BCSL to the Purchaser respectively from time to time after Completion, unless it is financially viable for BCP and/or BCSL to make such repayment and such repayment will not cause BCP and/or BCSL to become insolvent.

Management of BCP

On 9 October 2020, the Company and the Purchaser entered into the Shareholders' Agreement which provides the rights and duties and further regulates the respective responsibilities of the Company and the Purchaser towards the management of the business and affairs of the BCP Group. The principal terms of the Shareholders' Agreement are set out below.

The Shareholders' Agreement shall become effective upon satisfaction of all of the following conditions:

- (a) approval of the Shareholders' Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in accordance with the Listing Rules; and
- (b) the completion of the Disposal,

whereupon the rights and obligations of the Company and the Purchaser under the Shareholders' Agreement shall take effect from the date on which all the above conditions are fulfilled.

The Shareholders' Agreement shall be automatically terminated upon termination of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

The Shareholders' Agreement shall continue in full force and effect until:

- (a) BCP shall be wound up or otherwise cease to exist as a separate corporate entity;
- (b) with respect to the Company and/or the Purchaser, it ceases to own any shares of BCP; or
- (c) the Company and the Purchaser shall enter into a written agreement to terminate the Shareholders' Agreement.

The BCFC Board

Pursuant to the Shareholders' Agreement, the BCFC Board shall consist of five directors. The Company shall have the right to appoint four directors and the Purchaser shall have the right to appoint one director. The chairman of the BCFC Board shall be a director appointed by the Company. Matters arising at any meeting of the BCFC Board shall be decided by a simple majority of votes of the directors present and the chairman of the BCFC Board shall have a second or casting vote in case of equality of votes.

The strategic committee of BCFC

BCFC shall establish a strategic committee (the "Strategic Committee") which is principally responsible for formulating the strategies and plans for the overall operation and developments of BCFC, recommending such strategies and plans to the BCFC Board for approval and the implementation of the approved strategies and plan. The Strategic Committee shall consist of three members, two of which shall be nominated by the Purchaser and one of which shall be nominated by the Company. The Strategic Committee shall report to the BCFC Board directly. The major duties of the Strategic Committee shall include:

- (a) to advise on the signing and/or transfer of players;
- (b) to advise on the appointment and removal of team managers;
- (c) to formulate sales, marketing and branding strategies;
- (d) to make recommendations on sponsorship arrangement;
- (e) to review the ticket pricing policy;
- (f) to develop directions and plans for the youth players academy;
- (g) to formulate corporate finance and fund-raising strategies; and
- (h) to implement the matters referenced to in items (a) to (g) above.

LETTER FROM THE BOARD

The formation of the Strategic Committee is primarily intended to facilitate the overall operation and developments of the Club and improve its performances in the EFL competitions by leveraging on the expertise of the two proposed members of the Strategic Committee to be appointed by the Purchaser. According to the terms of the Shareholders' Agreement, the implementation of the strategies and plans to be recommended by the Strategic Committee is required to obtain approval from the BCFC Board. The Strategic Committee shall report to the BCFC Board on a regular basis and the BCFC Board will assess the strategies and plans to be recommended by the Strategic Committee based on the actual business operation and developments of the Club.

As the Company will maintain majority control of the BCFC Board in terms of the number of directors to be appointed in the BCFC Board, the Company will be able to have ultimate control in deciding the management and business affairs of the Club. Therefore, the Directors consider that the formation of the Strategic Committee is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

The Profit and Loss Sharing Arrangement

Pursuant to the Shareholders' Agreement, the Purchaser undertook to the Company that, in the event that the Football Club Segment, which principally consists of the BCP Group and BCSL, incurs a loss after taxation (the "Loss") for any of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023, respectively in which the Club does not compete in the EPL, as reviewed by the auditors engaged by the Company (the "Reviewed Accounts"), the Purchaser shall pay the Compensation to the Company in cash in an amount equivalent to the Company's share of the Loss (i.e. 75% of the Loss) in full within 30 days after the Company issues a payment notice upon the issue of the relevant Reviewed Accounts in the relevant financial year(s) in which the Football Club Segment incurs the Loss. The Reviewed Accounts shall be issued within three months after the end of the relevant financial years of the Company and shall be prepared in accordance with the Hong Kong Financial Reporting Standards and the accounting policies consistent with the accounting policies adopted by the Company from time to time. The Company expects to issue the payment notice to the Purchaser in respect of the claim of the Compensation within 10 Business Days upon the issue of the relevant Reviewed Accounts.

On the other hand, the Company agrees that, in the event that the Club is promoted to and competes in the EPL in any of the 2021-2022 EPL Season, 2022-2023 EPL Season or 2023-2024 EPL Season, it shall pay the Purchaser an annual Bonus equivalent to 75% of the Company's share of the net profit of the Football Club Segment (based on the Company's 75% equity interest in the BCP Group upon Completion) for each of the financial years in which the Club participates in the EPL competitions up to the financial year ending 30 June 2024 as shown in the relevant Reviewed Accounts within 30 days after the Purchaser issues a payment notice upon the issue of the relevant Reviewed Account (the "Bonus Due Date"), provided that the Company shall only pay the Bonus out of the cash that it receives from BCP or BCSL in the form of, including, but not limited to, repayments of shareholder's loans or dividend payments (if any). The Company expects that the Purchaser will issue the payment notice to the Company in respect of the claim of the Bonus within 10 Business Days upon the issue of the relevant Reviewed Accounts.

LETTER FROM THE BOARD

The maximum total amount of Bonus payable by the Company up to 30 June 2024 shall not exceed GBP90.0 million (equivalent to approximately HK\$891.0 million). In the event that the cash received by the Company from BCP or BCSL (if any) as at the Bonus Due Date is insufficient for paying off the Bonus in full amount, the Company shall be under continuing obligation to pay off the outstanding amount of the Bonus out of the cash to be received from BCP or BCSL (if any) until the Bonus has been fully paid. The maximum total amount of Bonus payable by the Company up to 30 June 2024 of GBP90.0 million (equivalent to approximately HK\$891.0 million) was determined based on the expected maximum Bonus payable by the Company of GBP30.0 million (equivalent to approximately HK\$297.0 million) for each of the years ending 30 June 2022, 30 June 2023 and 30 June 2024, which was in turn determined with reference to the financial performance of other football clubs participating in the EPL competitions and under the assumptions that (i) the Club will participate in the EPL competitions in the 2021-2022 EPL Season, 2022-2023 EPL Season and 2023-2024 EPL Season; and (ii) the Club will maintain a team that can subsist in the EPL competitions and there would not be material changes in the cost structure of the BCP Group and BCSL during the three years ending 30 June 2024.

During the term of the Profit and Loss Sharing Arrangement, in the event that the conditions of the entitlement of the Compensation or the Bonus pursuant to the Profit and Loss Sharing Arrangement as detailed above could not materialise, which comprises the scenarios that (i) the Club promotes to and competes in the EPL in each of the 2021–2022 EPL Season, 2022–2023 EPL Season or 2023–2024 EPL Season whereas the Football Club Segment records net loss for each of the financial years in which the Club participates in the EPL competitions up to the financial year ending 30 June 2024, the Purchaser is not obliged to pay the Compensation or entitled to the Bonus; or (ii) the Football Club Segment records net profit for each of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023, respectively in which the Club does not compete in the EPL, the Company is not obliged to pay the Bonus or entitled to the Compensation. Accordingly, under such scenarios, the Profit and Loss Sharing Arrangement will not have any impact to the Company.

In determining the reasonableness and fairness of the Profit and Loss Sharing Arrangement, the Directors have considered the historical financial performance of the Football Club Segment. Following a finish at the 20th position in the EFL Championship Division for the season 2019/20, the Club continues to play in the EFL Championship Division in the season 2020/21. The Football Club Segment has been loss making in the recent financial years, which recorded segment loss of approximately HK\$388.1 million, HK\$310.7 million and HK\$186.5 million for the years ended 30 June 2018, 2019 and 2020, respectively. Having considered the historical performance of the Football Club Segment, the Company expects that it will continue to record loss unless the Club is promoted to the EPL. With the Profit and Loss Sharing Arrangement in place, any Loss of the Football Club Segment attributable to the Group for each of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 is expected to be mitigated by the Compensation from the Purchaser in an amount equivalent to 75% of the Loss. On the other hand, the Company considers that the Bonus provides sufficient but not excessive incentive for the Purchaser to endeavour the promotion of the Club to the EPL before the 2023-2024 EPL Season through its participation in the Strategic Committee. In the event that the Club is successfully promoted to the EPL before the 2023-2024 EPL Season, the Group expects that the financial performance of the Football Club Segment will be improved and the Group will be able to enjoy any segment profit to be generated after taking into account the Bonus to be entitled by the Purchaser. Accordingly, it is expected that the Company will be better off in any event in terms of its share of economic interest in the Football Club Segment for the three years ending 30 June 2023 with the Profit and Loss Sharing Arrangement in place. Therefore, the Directors consider that the Profit and Loss Sharing Arrangement is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps for the Compensation and the Bonus

The following table sets out the proposed annual caps in respect of the Compensation for the three years ending 30 June 2023:

	Year ending 30 June		
	2021	2022	2023
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Proposed annual caps in respect of the Compensation	25,000 (equivalent to approximately HK\$247.5 million)	25,000 (equivalent to approximately HK\$247.5 million)	25,000 (equivalent to approximately HK\$247.5 million)

The following table sets out the proposed annual caps in respect of the Bonus for the three years ending 30 June 2024:

	Year ending 30 June		
	2022	2023	2024
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Proposed annual caps in respect of the Bonus	30,000 (equivalent to approximately HK\$297.0 million)	30,000 (equivalent to approximately HK\$297.0 million)	30,000 (equivalent to approximately HK\$297.0 million)

The proposed annual caps in respect of the Compensation is determined based on 75% of the historical loss after taxation of the Football Club Segment, after adjusting for non-recurring items such as gains from disposal of players, in the amount of approximately GBP34.8 million (equivalent to approximately HK\$344.5 million) and approximately GBP30.7 million (equivalent to approximately HK\$303.9 million) for the years ended 30 June 2019 and 2020, respectively.

The proposed annual caps in respect of the Bonus is determined by assuming that the Club will participate in the EPL competitions in the 2021-2022 EPL Season, 2022-2023 EPL Season and 2023-2024 EPL Season and with reference to the financial performance of other football clubs participating in the EPL competitions. It is also assumed that the Club will maintain a team that can subsist in the EPL competitions and there would not be material changes in the cost structure of the BCP Group and BCSL during the three years ending 30 June 2024.

The Directors are of the view that the above proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Financing

After Completion, in the event that BCP requires financing, such funds shall be met by borrowing, advances or credit from banks or other financial institutions or similar sources. If guarantee and/or security is required to obtain further borrowings, the Company and the Purchaser shall severally (or otherwise as agreed between the Company and the Purchaser and subject to the applicable laws, rules and regulations (including but not limited to the Listing Rules)) give such security and/or guarantee provided that the Company will only provide such security and/or guarantee proportional to its shareholding interest in BCP whereas the Purchaser will be responsible for the remaining proportion of the security and/or guarantee (the “Agreed Proportion”).

If further capital is required by BCP, the Company and the Purchaser shall (subject to the applicable laws, rules and regulations (including but not limited to the Listing Rules)) inject such capital or provide such funds in the form of shareholders’ loan or by way of subscription of new shares of BCP in the Agreed Proportion.

The Purchaser has further undertaken to the Company that the arrangements in respect of the financing of BCSL after Completion shall be similar to the abovementioned arrangements in respect of the financing of BCP after Completion, except that such guarantee, security, shareholders’ loan or subscription of new shares of BCSL shall be provided or performed by the Company and the Purchaser in proportion to their respective shareholding interest in BCSL (the “Shareholding Proportion”).

Event of default

Upon occurrence of an event of default by the Purchaser or the Company, subject to compliance with the applicable laws, rules and regulations and obtaining all necessary approvals, consents and registrations (including but not limited to the approval from the EFL or the EPL (as the case may be, if required)), the non-defaulting party is entitled to (i) require the defaulter to purchase all of the non-defaulting party’s shares and shareholders’ loan (if any) in BCP or (ii) purchase all of the defaulter’s shares and shareholders’ loan (if any) in BCP, within six months from the date of default. Events of default include, the breach of material obligations under the Shareholders’ Agreement by a party which has not been remedied within the prescribed period, the failure of the defaulter to pay its debt when due and a change to the ultimate beneficial owner of the Purchaser without prior written consent from the Company.

Guarantee

In consideration of the Company entering into the Sale and Purchase Agreement and the Shareholders’ Agreement with the Purchaser, Mr. Vong Pech (as the guarantor) irrevocably and unconditionally, as primary obligor, undertook to the Company and guaranteed the full, prompt, complete and due performance by the Purchaser of all and any of its obligations under the Sale and Purchase Agreement and the Shareholders’ Agreement and the due and punctual payment of all sums now or subsequently payable by the Purchaser under the Sale and Purchase Agreement and the Shareholders’ Agreement when the same shall become due. Mr. Vong Pech further undertook to pay such sum demanded by the Company if the Purchaser defaults in the payment of any sum under the Sale and Purchase Agreement and the Shareholders’ Agreement.

LETTER FROM THE BOARD

INFORMATION ON BCP

BCP is a limited liability company incorporated in England and Wales and is owned as to 96.64% by the Company and 3.36% by public shareholders as at Latest Practicable Date. BCP is a public limited company under the definition of the UK Takeover Code, and its wholly-owned subsidiaries are engaged in the operation and management of the Club and Birmingham City Women Football Club in the UK. BCP also owns and operates the Training Pitch.

Based on the property valuation report prepared by the Independent Valuer set out in Appendix I to this circular, the market value of the Training Pitch as at 30 September 2020 as appraised by the Independent Valuer was approximately GBP3.2 million (equivalent to approximately HK\$31.7 million).

The consolidated financial information of the BCP Group for the years ended 30 June 2019 and 2020 is set out below:

	Year ended 30 June	
	2019	2020
	GBP'000	GBP'000
Revenue	23,325	23,104
Loss before taxation (<i>Note</i>)	8,444	18,132
Loss after taxation (<i>Note</i>)	8,444	18,132

Note: The BCP Group undertook a group reorganisation during the year ended 30 June 2019 and BCP recorded a gain of approximately GBP17.2 million, which was eliminated in the consolidated financial statements of the Group.

As at 30 June 2020, the consolidated net liabilities of BCP amounted to approximately GBP81.5 million.

INFORMATION ON BCSL

BCSL is a limited liability company incorporated in England and Wales in May 2019 and is wholly-owned by the Company as at the Latest Practicable Date. BCSL is the owner of the Stadium and does not engage in any other business activities save for holding of the Stadium and leasing the Stadium to BCFC as its football stadium. BCSL did not have any revenue or profit/loss during the year ended 30 June 2019 since it was incorporated in May 2019. For the year ended 30 June 2020, revenue and net profit of BCSL was approximately GBP1.25 million and GBP1.24 million, respectively. As at 30 June 2020, the net assets value of BCSL amounted to approximately GBP1.24 million.

Based on the property valuation report prepared by the Independent Valuer set out in Appendix I to this circular, the market value of the Stadium as at 30 September 2020 as appraised by the Independent Valuer was approximately GBP20.7 million (equivalent to approximately HK\$204.9 million).

LETTER FROM THE BOARD

The BCP Group and BCSL principally constitute the Football Club Segment. The segment results and financial positions of the Football Club Segment for the years ended 30 June 2019 and 2020 are as follows:

	Year ended/ As at 30 June	
	2019	2020
	HK\$'000	HK\$'000
Revenue	205,790	204,395
Segment loss	310,737	186,519
Segment assets	411,919	454,888
Segment liabilities	1,122,490	1,314,420

As at 31 August 2020, based on the management accounts of BCSL, its total outstanding loan owing to BCP amounted to approximately GBP21.3 million (equivalent to approximately HK\$210.9 million). Such outstanding loan is unsecured, interest free and repayable on demand. Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively. Accordingly, the outstanding loan due from BCSL to BCP will constitute connected transaction of the Company upon Completion and will be subject to annual review requirement under Chapter 14A of the Listing Rules.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company incorporated in the BVI, the entire issued share capital of which is beneficially wholly-owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued Shares as at the date of the Sale and Purchase Agreement through Ever Depot Limited (“Ever Depot”). Accordingly, the Purchaser is a connected person of the Company.

Ever Depot is principally engaged in investment holding and is a limited company incorporated in the BVI. It is a wholly-owned subsidiary of Graticity Real Estate Development Co., Ltd. (“GRED”) as at the Latest Practicable Date.

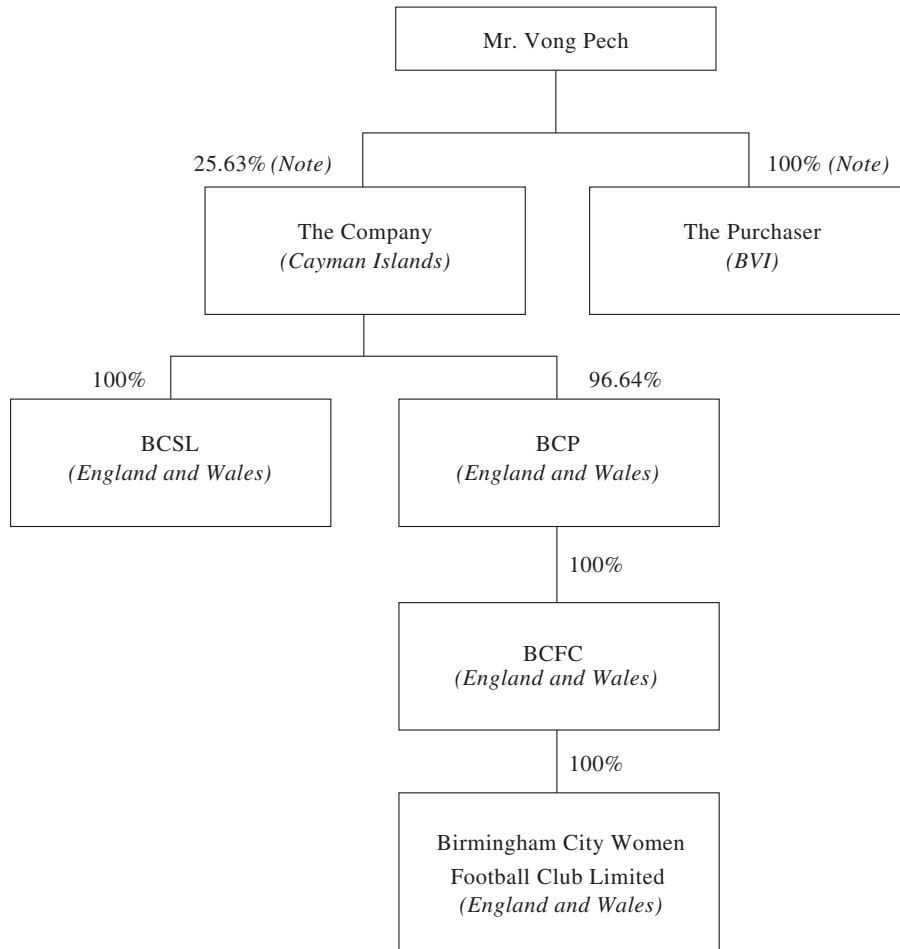
GRED is a limited company incorporated in the Kingdom of Cambodia (“Cambodia”) and is wholly-owned by Mr. Vong Pech as at the Latest Practicable Date. GRED is principally engaged in property development and is the developer and owner of a mixed-use development located at north of central Phnom Penh, Cambodia and close to many key amenities. The development comprised of shop-houses, multiple and mid-rise condominium buildings, residential buildings and a commercial and educational building erected on a parcel of land with a total site area of approximately 79,000 square meters.

The Group had in June 2017 and August 2018 acquired and leased certain commercial and residential buildings in Phnom Penh, Cambodia from GRED. Moreover, the Group entered into a master lease agreement in August 2018 with Ever Depot to lease certain properties to Ever Depot. Details of the acquisitions and lease of properties as mentioned above are set out in the circulars of the Company dated 31 October 2017 and 20 November 2018, respectively.

LETTER FROM THE BOARD

GROUP STRUCTURE

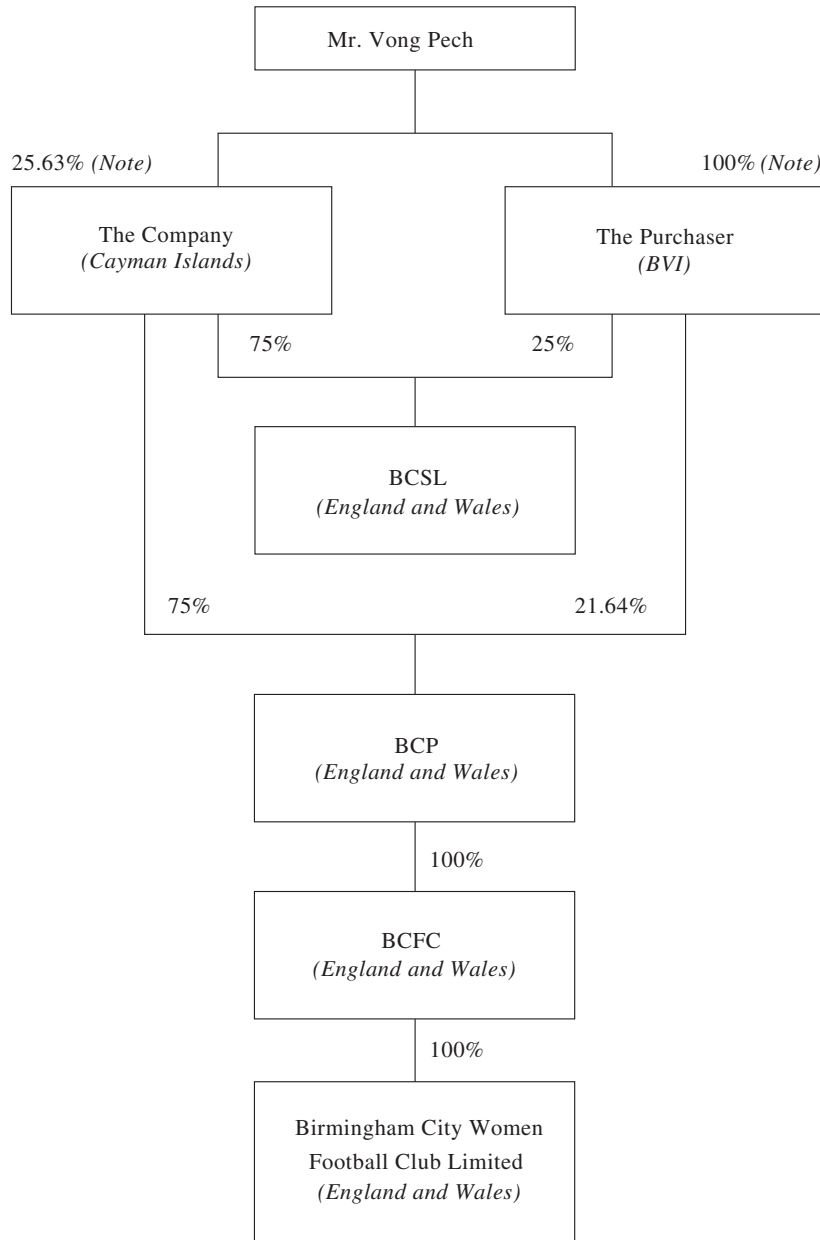
Set out below is the extract of the structure of the Group and the Purchaser as at the Latest Practicable Date:



Note: Representing beneficial interests

LETTER FROM THE BOARD

Set out below is the extract of the structure of the Group and the Purchaser upon Completion:



Note: Representing beneficial interests

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Company is engaged in investment holding. As at the Latest Practicable Date, the major subsidiaries of the Company are principally engaged in (i) the operation and management of the Club and Birmingham City Women Football Club in the UK; (ii) investment in properties; (iii) provision of lottery system and online payment service solutions; and (iv) provision of medical and healthcare services.

Upon Completion, the estimated net proceeds of the Disposal will be approximately GBP5.0 million (equivalent to approximately HK\$49.5 million) (after deducting the relevant professional fees), based on the initial total Consideration of GBP5.4 million (equivalent to approximately HK\$53.5 million). The Board intends to apply (i) 60% of the net proceeds from the Disposal, representing approximately GBP3.0 million (equivalent to approximately HK\$29.7 million), for repayment of external debts; (ii) 20% of the net proceeds from the Disposal, representing approximately GBP1.0 million (equivalent to approximately HK\$9.9 million), as general working capital; and (iii) 20% of the net proceeds from the Disposal, representing approximately GBP1.0 million (equivalent to approximately HK\$9.9 million), for future investment(s). The management has been ambitious to explore new business opportunities in different markets and industries that can enhance the performance of the Group. As at the Latest Practicable Date, the Group had not identified any potential target or opportunity for investment purpose. If no suitable investment opportunities can be identified, the portion of the net proceeds originally intended for future investment(s) will be used to repay the external debts of the Group. In such event, the Company will issue an announcement to disclose the proposed change of the use of net proceeds from the Disposal as and when appropriate.

The Football Club Segment continued to record a segment loss of approximately HK\$186.5 million for the year ended 30 June 2020 (year ended 30 June 2019: segment loss of approximately HK\$310.7 million) and segment net liabilities of approximately HK\$859.5 million as at 30 June 2020 (30 June 2019: segment net liabilities of approximately HK\$710.6 million). As a result of the continued operating loss of the Football Club Segment, the Group has been arranging external borrowings to finance its operational funding needs. Further, the Group had (i) total debts of approximately HK\$761.3 million; (ii) bank balances and cash of approximately HK\$38.8 million; and (iii) net current liabilities of approximately HK\$573.5 million as at 30 June 2020.

In view of the operational and financial performance of the Football Club Segment as disclosed above, the Company considers that the Disposal will serve as a valuable opportunity to relieve the Company's financial burden in supporting the ongoing operation of the Football Club Segment and improve the Group's future financial performance in the following manners:

- (i) the Company intends to apply part of the net proceeds from the Disposal for repayment of external debts so as to lower the finance costs of the Group;
- (ii) the Company's financial position is expected to be gradually and further improved as both the Company and the Purchaser will be required to use their respective reasonable endeavours to procure that the working capital requirements of the BCP Group and BCSL are met according to the Agreed Proportion and the Shareholding Proportion respectively;

LETTER FROM THE BOARD

- (iii) under the Profit and Loss Sharing Arrangement, the Company will be compensated for its attributable loss after taxation incurred by the Football Club Segment for each of the years ending 30 June 2021, 2022 and 2023 in which the Club does not compete in the EPL, while the Company will be able to maintain its control over the Club by continuing to hold the controlling stakes in BCP and BCSL; and
- (iv) it is intended that the Purchaser will introduce two members to the Strategic Committee. These two candidates, whose biographies are detailed below, have extensive experience in football club operations and management, and corporate financing, respectively. It is expected that the Club will benefit from their expertise to improve its performance in the EFL competitions and financially. Through introducing the Purchaser as a shareholder of BCP with its financial and human resources and with the establishment of the Strategic Committee which is principally responsible for formulating the strategies and plans for the overall operation and developments of BCP, the Company will be able to attain the potential benefits of the Club being promoted to EPL while retaining the controlling stakes in BCP and BCSL.

As mentioned above, the Strategic Committee shall consist of three members, two of which shall be nominated by the Purchaser and one of which shall be nominated by the Company. The Strategic Committee shall report to the BCFC Board directly. Set out below are the biographical profiles of the members of the Strategic Committee which the Purchaser intends to nominate upon Completion:

Mr. Mike Wiseman

Mr. Mike Wiseman (“Mr. Wiseman”) has a long standing family involvement with the Club, with his grandfather, father and himself seated in the BCFC Board. He has extensive experience and knowledge in the management and operation of the Club, with established network in the football industry.

Mr. Wiseman joined the BCFC Board in December 1997 and the board of directors of BCP in 2006, both until 2011, during which he led the functions of Commercial Department and Academy & Community Department of the Club and was mainly responsible for strategic formulation and on and off the field management of the Club. During his 14 years’ service in the BCFC Board, the Club had achieved remarkable results and always finished at the top tier of the EFL Championship Division. In season 2001/02, the Club finished at the 5th position and won the playoff games, which then successfully promoted the Club to EPL in season 2002/03. Thereafter, Mr. Wiseman managed to lead the Club to participate in the EPL competitions for seven out of the following ten years of his tenure in the BCFC Board. Mr. Wiseman also served on the former players committee and was a trustee of the Club’s Community Trust, and supported the Birmingham City Women Football Club. In 1994, Mr. Wiseman was invited to become a Governor of the Birmingham College of Food, Tourism & Creative Studies and has seen the institution grow from a further education college to a university (now known as University College Birmingham). Apart from being a member of the corporation board of the college, he also chairs the audit committee and is a member of the remuneration committee.

Mr. Wiseman has worked for Haunch Lane Developments Limited, a company involved in the property development & investment business since 1985, where he is currently a managing director. In 2005, he set up Metal Packaging International Limited, a company involved in the stockholding of imported tins & aerosols, where he is currently a management director.

LETTER FROM THE BOARD

Mr. Wiseman graduated from The University of Sheffield with a Bachelor of Arts in Economics and was a Chartered Accountant in the UK.

Mr. Zhou Desheng

Mr. Zhou Desheng (“Mr. Zhou”) has extensive experience in the banking and finance industry particularly in areas such as equity investment, corporate financing and fund management. Mr. Zhou is the founder and has been the chairman of the board of directors of Zhushan Equity Investment Fund Management (Shanghai) Co., Ltd.* (鑄山股權投資基金管理(上海)股份有限公司) since 2013, which involved in the investments in and business development of a vast number of listed enterprises, including a number of enterprises with renowned brands in the consumer markets, with asset under management of over RMB2 billion. Before that, Mr. Zhou had been working in a number of commercial banks including The Industrial Bank Co., Ltd., Shanghai Pudong Development Bank Co. Ltd. and China Minsheng Bank for around 10 years in aggregate.

Mr. Zhou graduated from the Hunan University of Finance and Economics with a bachelor’s degree in Finance and the Shanghai University of Finance and Economics (College of Business) with a master’s degree in Business Administration.

Having considered the foregoing, the Directors are of the view that the terms of the Sale and Purchase Agreement and the Shareholders’ Agreement are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Group’s equity interest in BCP will decrease from 96.64% to 75% and the Group’s equity interest in BCSL will decrease from 100% to 75%. The Group will continue to exercise control over the board of directors of BCP and BCSL. As such, BCP and BCSL will remain as the non-wholly owned subsidiaries of the Company and their financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group.

It is expected that there will be a gain before tax of approximately GBP0.8 million (equivalent to approximately HK\$7.9 million) arising from the Disposal, being the estimated net proceeds of approximately GBP5.0 million (equivalent to approximately HK\$49.5 million) from the Disposal (based on the initial total Consideration and after payment of professional fees and other related expenses) net of the unaudited net liabilities of the Football Club Segment attributable to the Sale Shares in aggregate of approximately GBP19.7 million (equivalent to approximately HK\$195.0 million) as at 30 June 2020 and the Sale Loan of approximately GBP23.9 million (equivalent to approximately HK\$236.6 million) as at 31 August 2020. The gain will be recognised as an equity transaction in the consolidated statement of changes in equity of the Group.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Group depends on, among others, the net liabilities of the Football Club Segment as at the Completion Date.

LETTER FROM THE BOARD

THE DEED OF VARIATION AND THE VARIED LEASE AGREEMENT

Upon Completion, the Company, BCSL and BCFC will enter into the Deed of Variation and BCSL and BCFC will enter into the Varied Lease Agreement to vary certain terms of the Existing Lease Agreement in relation to the lease of the Stadium including the variation of the term and the release and discharge of the Company's guarantee in the Existing Lease Agreement. The Stadium is used as the football stadium and for ancillary uses of BCFC. Details of the principal terms of the Varied Lease Agreement are set out below:

Parties:	BCSL, as landlord; and BCFC, as tenant
Premises:	the Stadium
Term:	the Deed of Variation will be entered into on the Completion Date and the term of the Varied Lease Agreement will end on 30 June 2023
Rental:	GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum

The rental was determined by the parties to the Varied Lease Agreement after arm's length negotiation. Based on the opinion of the Independent Valuer, the rental payable by BCFC to BCSL under the Varied Lease Agreement is fair and reasonable, on normal commercial terms and consistent with the prevailing market rents for similar premises in the UK.

Conditions precedent

The Varied Lease Agreement and the related annual caps for the period from the Completion Date to 30 June 2021 and for the two years ending 30 June 2022 and 2023 are subject to approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.

Proposed annual caps in respect of the Varied Lease Agreement

The following table sets out the proposed annual caps in respect of the transactions contemplated under the Varied Lease Agreement for the period from the Completion Date to 30 June 2021 and for the two years ending 30 June 2022 and 2023:

	From the Completion Date to 30 June 2021	Year ending 30 June	
	GBP'000	2022	2023
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Proposed annual caps	840 <i>(Note)</i>	1,250	1,250
	(equivalent to approximately HK\$8.3 million)	(equivalent to approximately HK\$12.4 million)	(equivalent to approximately HK\$12.4 million)

Note: This represents the proposed annual caps for approximately 8 months from the Completion Date to 30 June 2021.

LETTER FROM THE BOARD

The Stadium rental fee payable by BCFC to BCSL for the year ended 30 June 2020 was GBP1,250,000. Each of the proposed annual caps is determined based on the annual rental payable by BCFC to BCSL under the Varied Lease Agreement in each financial year.

The Directors are of the view that the above proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR ENTERING INTO THE DEED OF VARIATION AND THE VARIED LEASE AGREEMENT

BCFC and BCSL, both being subsidiaries of the Company, are parties to the Existing Lease Agreement in respect of the lease of the Stadium by BCSL to BCFC as the football stadium of and for ancillary uses by BCFC.

Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively, upon Completion. Accordingly, the Company, BCFC and BCSL will enter into the Deed of Variation and BCFC and BCSL will enter into the Varied Lease Agreement upon Completion to shorten the term of the lease and to release and discharge the Company's guarantee in the Existing Lease Agreement, in order to comply with the relevant requirements under the Listing Rules, and the transactions contemplated under the Varied Lease Agreement will constitute continuing connected transactions of the Company.

The Directors are of the view that the Deed of Variation and the Varied Lease Agreement and the transactions contemplated thereunder will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES FOR THE PROFIT AND LOSS SHARING ARRANGEMENT AND THE VARIED LEASE AGREEMENT

The Group will adhere to the following internal control measures in respect of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement:

- (i) the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the proposed annual caps in respect of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement will not be exceeded;
- (ii) reports containing total transaction amount under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement will be submitted to the management of the Group on a yearly and monthly basis, respectively; and
- (iii) the Independent Non-executive Directors and the auditors of the Company will conduct annual review of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Sale and Purchase Agreement

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal calculated in accordance with Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The entire issued share capital of the Purchaser is beneficially owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement. Therefore, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

Moreover, as the Purchaser is a connected person of the Company, the Compensation and the Bonus under the Profit and Loss Sharing Arrangement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps of each of the Compensation and the Bonus is more than 5%, the continuing connected transactions in respect of the Compensation and the Bonus are subject to the reporting, announcement, circular, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

The Varied Lease Agreement

Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively. Accordingly, the Varied Lease Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps is more than 5%, the Deed of Variation, the Varied Lease Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the Independent Non-executive Directors has been established to consider the terms of the Transaction Documents and their respective transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Transaction Documents are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Transaction Documents and the transactions contemplated thereunder has been set out on pages 28 to 29 of this circular.

LETTER FROM THE BOARD

Giraffe Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the respective transactions contemplated thereunder. The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the respective transactions contemplated thereunder is set out on pages 30 to 63 of this circular.

THE EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Tuesday, 8 December 2020 at 10:30 a.m. at which the relevant resolution will be proposed at the EGM to approve, among other things, the Transaction Documents and the transactions contemplated thereunder. The resolution 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the entire issued share capital of the Purchaser is beneficially owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued Shares as at the Latest Practicable Date. Therefore, Mr. Vong Pech and his associates will abstain from voting on the resolution(s) in respect of the Transaction Documents and the respective transactions contemplated thereunder at the EGM. Save as disclosed herein, no Shareholder is required to abstain from voting on the resolution(s) in respect of the Transaction Documents and the respective transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors had material interests in the Transaction Documents, and hence no Director was required to abstain from voting on relevant Board resolutions approving the Transaction Documents and the respective transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby 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 54, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 1 December 2020.

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 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 Transaction Documents and the transactions contemplated thereunder.

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)

17 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF INTERESTS IN
SUBSIDIARIES; AND
(II) CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 17 November 2020 (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 Transaction Documents and the transactions contemplated thereunder, 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 other information set out in the Circular.

Having taken into account the terms of the Transaction Documents and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that (i) the terms of the Transaction Documents and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into of the Varied Lease Agreement is in the ordinary and usual course of business of the Group; and (iii) the transactions contemplated under the Transaction Documents are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transaction Documents and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

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

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



Giraffe Capital Limited

17 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF INTERESTS IN SUBSIDIARIES;
AND
(II) CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement, the Shareholders' Agreement, the Deed of Variation, the Varied Lease Agreement and their respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") in the circular issued by the Company to the Shareholders dated 17 November 2020 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 9 October 2020 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of the Sale Shares and the Sale Loan, respectively, at the initial aggregate Consideration of GBP5.4 million (equivalent to approximately HK\$53.5 million) in cash.

Upon Completion, the Group's equity interest in BCP will decrease from 96.64% to 75% and the Group's equity interest in BCSL will decrease from 100% to 75%. The Group will continue to exercise control over the board of directors of BCP and BCSL. As such, BCP and BCSL will remain as the non-wholly owned subsidiaries of the Company and their financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal calculated in accordance with Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the entire issued share capital of the Purchaser is beneficially owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued Shares as at the date of the Sale and Purchase Agreement, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

Moreover, as the Purchaser is a connected person of the Company, the Compensation and the Bonus under the Profit and Loss Sharing Arrangement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps of each of the Compensation and the Bonus is more than 5%, the continuing connected transactions in respect of the Compensation and the Bonus are subject to the reporting, announcement, circular, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

Further, upon Completion, the Company, BCSL and BCFC will enter into the Deed of Variation to vary certain terms of the Existing Lease Agreement in relation to the lease of the Stadium. Pursuant to the Varied Lease Agreement, BCSL (as landlord) shall continue to lease the Stadium to BCFC (as tenant) for a term ending on 30 June 2023, at a rent of GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum for use as the football stadium and for ancillary uses by BCFC.

Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively. Accordingly, the Varied Lease Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps exceed 5%, the Deed of Variation, the Varied Lease Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular, Independent Shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the Independent Non-executive Directors has been established to consider the terms of the Transaction Documents and the respective transactions contemplated thereunder, and to advise the Independent Shareholders as to whether Transaction Documents are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, there was no engagement between the Group and us in the past two years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, the announcement of the Company dated 9 October 2020 in relation to the Transaction Documents and their respective transactions contemplated thereunder, the property valuation report (the “Property Valuation Report”) and the letter of fair rental opinion on the Varied Lease Agreement (the “Fair Rent Letter”) prepared by JP Assets Consultancy Limited, an independent professional valuer (the “Independent Valuer”), the annual results announcement of the Company for the year ended 30 June 2020 (the “FY2020”) (the “Annual Results 2020”), the annual report of the Company for the year ended 30 June 2019 (the “FY2019”) (the “Annual Report 2019”), the consolidated management accounts of the BCP Group and the management accounts of BCSL for FY2020, the audited financial statements of the Purchaser for the year ended 31 December 2019 and have enquired with and reviewed the information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company. We have also (i) discussed with the management of the Company with respect to the terms of and reasons for the entering into of the Transaction Documents, and the business and future outlook of the Group; (ii) interviewed the Independent Valuer in respect of the valuation of the Stadium and the Training Pitch and the assessment of rental of the Stadium. Save and except for the review of the Property Valuation Report and the Fair Rent Letter, we have not made any independent evaluation or appraisal of the assets and liabilities of BCP nor BCSL and we have not been furnished with any such evaluation or appraisal. Since we are not experts in the valuation of businesses or companies, we have relied solely on the Property Valuation Report and the Fair Rent Letter for the valuation of the Stadium and the Training Pitch and the rental of the Stadium, respectively.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors were true and accurate at the time when they were made and continue to be true up to the date of EGM. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent verification and in-depth investigation into the information provided by the Company as well as the business and affairs of the Group, the Purchaser or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the market, financial, economic, industry-specific and other conditions in effect and the information made available to us as at the date of EGM. Shareholders should note that subsequent developments (including any change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the date of EGM or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors collectively and individually accept full responsibility, including 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 and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Transaction Documents and their respective transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Transaction Documents and their respective transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Information on the Group

1.1 Business of the Group

As disclosed in the Letter from the Board, the Group is principally engaged in (i) the operation and management of the Club and Birmingham City Women Football Club in the UK; (ii) investment in properties; (iii) provision of lottery system and online payment service solutions; and (iv) provision of medical and healthcare service as at the Latest Practicable Date.

As disclosed in the Annual Report 2019 and the Annual Results 2020, the Club finished at the 17th position and the 20th position in the English Football League (the “EFL”) Championship Division for the seasons 2018/19 and 2019/20, respectively.

According to the Annual Report 2019, in order to diversify its business and to broaden the revenue streams, the Group has acquired certain residential apartments and commercial properties in the Kingdom of Cambodia (“Cambodia”). All the properties are leased out to secure a stable stream of income for the Group.

As stated in the Annual Results 2020, the Group has (i) acquired Wangmei Online (Beijing) Information & Technology Co., Ltd.* (網梅在綫(北京)信息技術有限公司) (“Wangmei Online”) in July 2019, which is a lottery system and online payment system service solutions provider. Leveraging on the expertise of Wangmei Online’s management team and its proprietary systems, the Group had secured local operators in Cambodia to provide system development and operation support services and started to record service income from the provision of lottery system and

* For identification purpose

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

online payment system service solutions for FY2020; and (ii) acquired a medical service business in Japan in July 2020, which principally comprises the provision of medical consultation and healthcare and wellness referral related services in Japan.

1.2 Financial performance of the Group

Set out below is a summary of the Group's operating results as extracted from the Annual Results 2020:

	For the year ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue		
<i>Football Club Segment</i>		
– Match day receipts	45,745	52,371
– Broadcasting	86,895	81,053
– Commercial income	<u>71,755</u>	<u>72,366</u>
	204,395	205,790
<i>Investment in properties segment</i>	24,811	4,647
<i>Provision of lottery system and online payment system service solutions segment</i>	<u>2,323</u>	<u>–</u>
	231,529	210,437
Reportable segment results – (loss)/profit		
– <i>Football Club Segment</i>	(186,519)	(310,737)
– <i>Investment in properties segment</i>	(514)	27,343
– <i>Provision of lottery system and online payment system service solutions segment</i>	<u>(8,461)</u>	<u>–</u>
	(195,494)	(283,394)
Loss for the year	(266,484)	(364,690)
Loss attributable to owners of the Company	(260,484)	(360,927)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the FY2019 and FY2020, the Group generated revenue mainly from three business segments, being (i) the Football Club Segment; (ii) investment in properties segment; and (iii) provision of lottery and online payment service solutions segment.

Revenue stream of the Football Club Segment remained the key source of revenue of the Group, which comprised (i) match day receipts which consisted of season and match day tickets, (ii) broadcasting income, including distributions of broadcasting revenue from the EFL, cup competitions, solidarity payment from the Premier League and revenue from the media, and (iii) commercial income which comprised sponsorship income, corporate hospitality, merchandising, conferences and events and other sundry income.

As shown from the table above and disclosed in the Annual Results 2020, the Group's revenue increased by approximately 10.0% from approximately HK\$210.4 million for FY2019 to approximately HK\$231.5 million for FY2020, primarily due to (i) the increase in the revenue from investment in properties segment which represented the rental income from the Group's premises in Cambodia for FY2020; and (ii) the commencement of the provision of lottery system and online payment system service solutions business for FY2020.

Despite the relatively stable revenue from the Football Club Segment for FY2019 and FY2020, the segment loss of the Football Club Segment improved from approximately HK\$310.7 million for FY2019 to approximately HK\$186.5 million for FY2020, which was mainly due to (i) the decrease in operating expenses due to the outbreak of COVID-19 and lockdown in the UK; (ii) the increase in profit on sales of players' registration from approximately HK\$42.1 million for FY2019 to approximately HK\$115.5 million for FY2020; and (iii) the increase in other income resulting from the government subsidy received from the UK government due to the outbreak of COVID-19 and lockdown in the UK. Despite the increase in the rental income from the investment properties, the Group recorded a segment loss in the investment in properties segment mainly due to the negative changes in fair value of its investment properties in Cambodia for FY2020, resulting from the slowdown in the real estate market in Cambodia affected by the outbreak of COVID-19 and the global lockdown.

1.3 Financial position of the Group

Set out below is a summary of the financial position of the Group as extracted from the Annual Results 2020:

	As at 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Non-current assets	949,504	887,371
Current assets	112,011	147,144
– Bank balances and cash	38,804	83,652
Current liabilities	685,465	334,149
Net current liabilities	573,454	187,005
Total borrowings	487,442	214,516

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Bank balances and cash

The bank balances and cash of the Group decreased from approximately HK\$83.7 million as at 30 June 2019 to approximately HK\$38.8 million as at 30 June 2020, which was mainly due to the continuous loss and net cash used in the Group's operating activities.

Total borrowings

The balances of total borrowings of the Group as at 30 June 2019 and 2020 mainly represented (i) a revolving loan with Trillion Trophy Asia Limited of approximately HK\$66.2 million and HK\$66.2 million as at 30 June 2019 and 2020, respectively, which was interest bearing at a rate of 4.5% per annum, unsecured and for a term up to 31 December 2020; and (ii) loans with external lenders of an aggregate amount of approximately HK\$148.3 million and HK\$421.2 million as at 30 June 2019 and 2020, respectively, which were interest bearing at rates of 5% - 8% per annum (except for a loan with the Football League Limited of an outstanding principal of approximately HK\$5.6 million, which is unsecured, interest free and repayable by six instalments commencing on 1 April 2021), unsecured and for terms up to 30 June 2021. The portion of total borrowings which were repayable within one year amounted to approximately HK\$130.0 million and HK\$482.6 million as at 30 June 2019 and 2020, respectively. According to the Annual Results 2020, the increase in total borrowings was to cope with the Group's business development.

1.4 Business outlook

Top full-time professional football clubs in England mainly compete in four divisions of football leagues, namely the English Premier League (the "EPL"), the EFL Championship division, the EFL League One division and the EFL League Two division.

EPL

The EPL is the top level of the English football league system contested by 20 clubs. It operates on a system of promotion and relegation with the EFL. At the end of each season which runs from August to May, the three lowest finishing clubs in EPL are relegated to the EFL Championship division. One of the major revenue streams of the football clubs in EPL (the "Premier League Clubs") is the prize money distributed by the EPL. According to the official website of EPL, the prize money mainly comprises (i) UK broadcast revenues, 50% of which are equally shared, another 25%, known as the facility fees, are shared based on how often a club's matches are broadcast in the UK, and the remaining 25%, known as the merit payment, are shared based on where a club finishes in the league table; (ii) central commercial revenues which are equally shared by clubs; and (iii) international broadcasting revenues which are equally shared by clubs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the prize money distributed to the top five clubs in the EPL in the 2017/18, 2018/19 and 2019/20 seasons as extracted from the official website of EPL.

Finishing Position	EPL Season		
	2017/18 (GBP million)	2018/19 (GBP million)	2019/20 (GBP million)
First	149	151	153
Second	150	152	148
Third	144	146	151
Fourth	146	145	143
Fifth	142	142	132

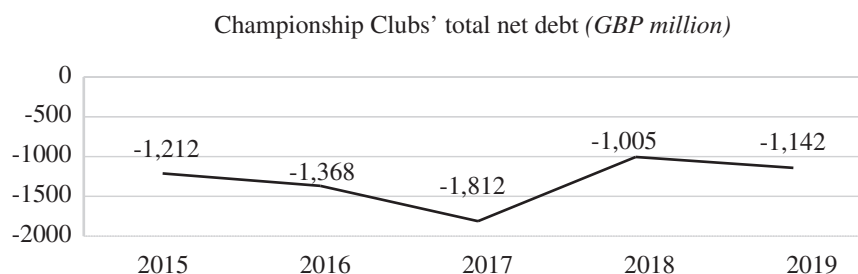
Source: EPL's official website

The EFL Championship

The EFL Championship is the highest division of the EFL and the second highest professional league division under the English football league system, after the EPL, contested by 24 clubs. At the end of each season, the top two finishing clubs in the EFL Championship are promoted to the EPL automatically, with an additional club promoted after a series of playoffs among the third, fourth, fifth and sixth placed clubs. Similar to the clubs competing in the EPL, one of the major revenue streams of the football clubs competing in the EFL Championship (the "Championship Clubs") is the basic award distributed by the EFL Championship, with a solidarity payment, which is determined by further agreement between the EFL and the EPL. Championship Clubs in receipt of EPL parachute payments, which are designed to support a soft landing for clubs that have been recently relegated from the EPL to the EFL Championship, do not receive solidarity payments.

According to the Annual Review of Football Finance released by one of the four largest international auditing, tax and advisory firms (the "Annual Review") published in 2020, a majority of the Championship Clubs have been remaining at net debt positions over the years.

The following diagram illustrates the total net debt of Championship Clubs from 2015 to 2019:

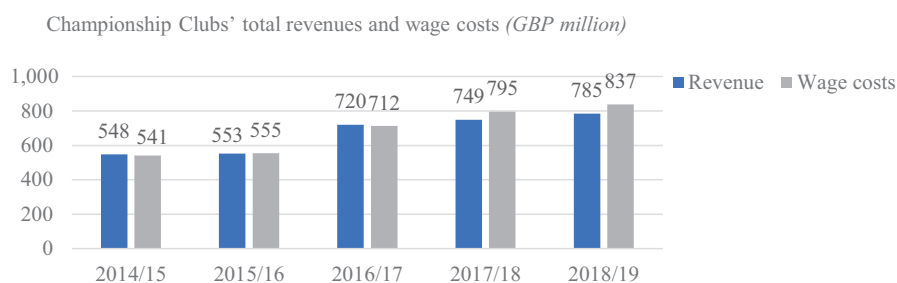


Source: Annual Review published in 2016 to 2020

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

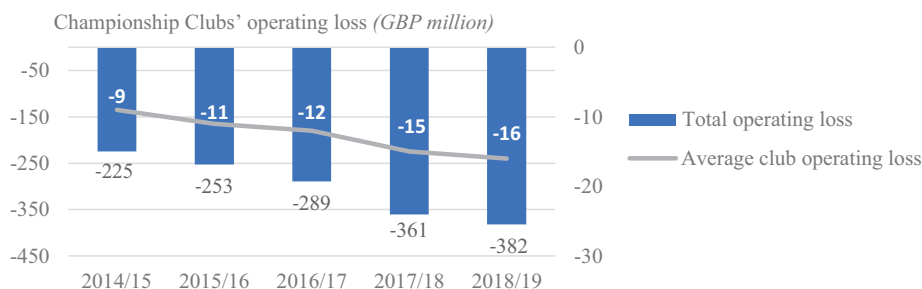
According to the Annual Review published in 2020, the aggregate net debts of Championship Clubs at summer 2019 was approximately GBP1.1 billion, representing approximately 14% higher than that at summer 2018. The majority of Championship Clubs' reported net debts was in the form of interest-free loans from shareholders. At the end of the 2018/19 season, interest-free loans from shareholders constituted approximately 88.7% of the total net debts of Championship Clubs, highlighting their continued heavy reliance on their owners for funding and solvency.

We understand from the management of the Company that it is not uncommon for Championship Clubs to be in net debt position since they incur substantial operating expenses, in particular, wage costs in the pursuit of promotion to the EPL. We have reviewed the Annual Review published in 2016 to 2020 and summarised the following diagram which illustrates (i) the total revenues, which include matchday, broadcast, sponsorship and commercial revenues, and (ii) wage costs, which include wages, salaries, signing-on fees, bonuses, termination payments, social security contributions and other employee benefit expenses for all employees including players, of Championship Clubs from 2014/15 season to 2018/19 season as follows:



Source: Annual Review published in 2016 to 2020

According to the Annual Review published in 2020, the wage costs to revenue ratio of Championship Clubs rose to a new record of approximately 107% in 2018/19 season, which reflected the huge financial risks that Championship Clubs are facing in order to chase promotion to the EPL. In addition, with wage cost growth continuing to outstrip revenue growth, Championship Clubs recorded record operating losses for four successive seasons from 2015/16 to 2018/19 seasons. The following diagram illustrates the operating loss of Championship Clubs from 2014/15 to 2018/19 seasons:



Source: Annual Review published in 2016 to 2020

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Annual Review published in 2020, despite the implementation of the Profitability and Sustainability Rules (the “P&S Rules”) since the 2016/17 season, which requires each Championship Club to restrain losses to be lower than certain loss thresholds, the total operating loss of Championship Clubs continued to rise and reached a record high level in 2018/19 season. In 2019, BCFC became the first Championship Club to be deducted points for its failure to comply with the P&S Rules, given excessive spending over the three financial years covering the 2015/16 to 2017/18 seasons. Subsequently, some other Championship Clubs have been subject to charges for non-compliance and the reported record high level of operating losses.

2. Information on the Purchaser

The Purchaser is an investment holding company incorporated in the BVI, the entire issued share capital of which is beneficially wholly-owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued Shares of the Company as at the date of the Sale and Purchase Agreement through Ever Depot Limited (“Ever Depot”). Accordingly, the Purchaser is a connected person of the Company.

Ever Depot is principally engaged in investment holding and is a limited company incorporated in the BVI. It is a wholly-owned subsidiary of Graticity Real Estate Development Co., Ltd., (“GRED”) as at the Latest Practicable Date.

GRED is principally engaged in property development and a limited company incorporated in Cambodia and is wholly-owned by Mr. Vong Pech as at the Latest Practicable Date. GRED is the developer and owner of a mixed-use development located at north of central Phnom Penh, Cambodia and close to many key amenities. The development comprised of shop-houses, multiple and mid-rise condominium buildings, residential buildings and a commercial and educational building erected on a parcel of land with a total site area of approximately 79,000 square meters (“sq.m.”).

The Group had in June 2017 and August 2018 acquired and leased certain commercial and residential buildings in Phnom Penh, Cambodia from GRED. Moreover, the Group entered into a master lease agreement in August 2018 with Ever Depot to lease certain properties to Ever Depot.

3. Information on BCP Group and BCSL (the “Target Group”)

3.1 Information on BCP Group

BCP is a limited liability company incorporated in England and Wales and is owned as to 96.64% by the Company and 3.36% by public shareholders as at the Latest Practicable Date. BCP is a public limited company under the definition of the UK Takeover Code, and its wholly-owned subsidiaries are engaged in the operation and management of the Club and Birmingham City Women Football Club in the UK. BCP also owns and operates the Training Pitch.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Property Valuation Report, the market value of the Training Pitch as at 30 September 2020 as appraised by the Independent Valuer was approximately GBP3.2 million (equivalent to approximately HK\$31.7 million).

As disclosed in the Letter from the Board, the consolidated financial information of the BCP Group for FY2019 and FY2020 is set out below:

	For the year ended 30 June	
	2020	2019
	GBP'000	GBP'000
Revenue	23,104	23,325
Loss before taxation (<i>Note</i>)	18,132	8,444
Loss after taxation (<i>Note</i>)	18,132	8,444

Note: The BCP Group undertook a group reorganisation during FY2019 and BCP recorded a gain of approximately GBP17.2 million, which was eliminated in the consolidated financial statements of the Group.

As advised by the management of the Company, the increase in loss of BCP Group for FY2020 was mainly due to the absence of the one-off gain from group reorganisation for FY2020, which amounted to approximately GBP17.2 million for FY2019.

As at 30 June 2020, the consolidated net liabilities of BCP Group amounted to approximately GBP81.5 million.

3.2 Information on BCSL

BCSL is a limited liability company incorporated in England and Wales in May 2019 and is wholly-owned by the Company as at the Latest Practicable Date. BCSL is the owner of the Stadium and does not engage in any other business activities save for holding of the Stadium and leasing the Stadium to BCFC as its football stadium. As disclosed in the Letter from the Board, BCSL did not have any revenue or profit/loss during the year ended 30 June 2019 since it was incorporated in May 2019. For the year ended 30 June 2020, revenue and net profit of BCSL was approximately GBP1.25 million and GBP1.24 million, respectively. As at 30 June 2020, the net assets value of BCSL amounted to approximately GBP1.24 million.

Based on the Property Valuation Report, the market value of the Stadium as at 30 September 2020 as appraised by the Independent Valuer was approximately GBP20.7 million (equivalent to approximately HK\$204.9 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The BCP Group and BCSL principally constitute the Football Club Segment. The segment results and financial positions of the Football Club Segment for the years ended 30 June 2019 and 2020 are as follows:

	For the year ended/As at 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue	204,395	205,790
Segment loss	186,519	310,737
Segment assets	454,888	411,919
Segment liabilities	1,314,420	1,122,490
Segment net liabilities	859,532	710,571

According to the Letter from the Board, the segment net liabilities of the Football Club Segment increased from approximately HK\$710.6 million as at 30 June 2019 to approximately HK\$859.5 million as at 30 June 2020, mainly attributable to the increase in borrowings to finance the Group's operational funding needs as a result of the continued operating loss of the Football Club Segment.

As at 31 August 2020, based on the management accounts of BCSL, its total outstanding loan owing to BCP amounted to approximately GBP21.3 million (equivalent to approximately HK\$210.9 million). Such outstanding loan is unsecured, interest free and repayable on demand. Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively. Accordingly, the outstanding loan due from BCSL to BCP will constitute connected transaction of the Company upon Completion and will be subject to annual review requirement under Chapter 14A of the Listing Rules.

4. Reasons for and benefits of the Disposal

4.1 Continuous operating loss of the Group

As discussed with the management of the Company and noted from the Annual Report 2019 and Annual Results 2020, the Group has continuous financing needs resulting from (i) continuous loss from operation of the Football Club Segment, which amounted to approximately HK\$310.7 million and HK\$186.5 million for the year ended 30 June 2019 and 2020, respectively; (ii) low bank balances and cash of only approximately HK\$38.8 million as at 30 June 2020 due to the continuous loss and net cash used in the Group's operating activities; and (iii) the increasing borrowings of the Group. The initial Consideration net of professional fees and other related expenses of approximately HK\$49.5 million is expected to increase the Group's bank balances and cash immediately upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Improve the financial position and lower the financial burdens of the Group

As stated in the Letter from the Board, as a result of the continued operating loss of the Football Club Segment, the Group has been arranging external borrowings to finance its operational funding needs. According to the Annual Results 2020, the Group's total borrowings increased from approximately HK\$214.5 million as at 30 June 2019 to approximately HK\$487.4 million as at 30 June 2020, of which approximately HK\$482.6 million were repayable within one year.

As advised by the management of the Company, in view of the historical operational and financial performance of the Football Club Segment, the Company considers that the Disposal will serve as a valuable opportunity to relieve the Company's financial burden in supporting the ongoing operation of the Football Club Segment and improve the Group's future financial performance by (i) applying part of the net proceeds from the Disposal for repayment of external debts so as to lower future finance costs of the Group; (ii) gradually improving the Company's financial position as both the Company and the Purchaser will be required to use their respective reasonable endeavors to procure that the working capital requirements of the BCP Group and BCSL are met according to the Agreed Proportion and the Shareholding Proportion respectively; (iii) under the Profit and Loss Sharing Arrangement, the Company will be compensated for its attributable loss after taxation incurred by the Football Club Segment for the years ending 30 June 2021, 2022 and 2023 in which the Club does not compete in the EPL, while the Company will be able to maintain its control over the Club by continuing to hold the controlling stakes in BCP and BCSL. We concur with the management of the Company that the expected cessation of recording further loss from the Football Club Segment for the years ending 30 June 2021, 2022 and 2023 would help improve the Group's financial performance and relieve the Group's financial burden.

4.3 Potential benefits from the establishment of the Strategic Committee

Based on the Letter from the Board, the Strategic Committee will be established to formulate the strategies and plans for the overall operation and developments of BCFC, recommend such strategies and plans to the BCFC Board for approval and implement the approved strategies and plan. As the Company will maintain majority control of the BCFC Board in terms of the number of directors to be appointed in the BCFC Board, the Company will be able to have ultimate control in deciding the management and business affairs of the Club. Therefore, the Directors consider that the formation of the Strategic Committee is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

The Purchaser will introduce two members, who have extensive experience in football club operations and management, and corporate financing, to the Strategic Committee. We understand from the management of the Company that it is expected that the Club will benefit from their expertise to improve its performance in the EFL competitions and financially, and the Company will be able to attain the potential benefits of the Club being promoted to EPL while retaining the controlling stakes in BCP and BCSL.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the biographical profiles and experience of the candidates for the Strategic Committee who the Purchaser intends to nominate upon Completion, namely, Mr. Mike Wiseman and Mr. Zhou Desheng, and noted that they have extensive experience in the football club operations and management, and corporate financing, respectively. Detailed biographical profiles of Mr. Mike Wiseman and Mr. Zhou Desheng are set out in the Letter from the Board.

Having considered that (i) the financial difficulties encountered by the Group; (ii) the historical operational and financial performance of the Football Club Segment, (iii) the Company's intention to apply part of the net proceeds from the Disposal for repayment of external debts so as to lower future finance costs of the Group; (iv) the expected cessation of recording further loss from the Football Club Segment for the years ending 30 June 2021, 2022 and 2023 would help improve the Group's financial performance and relieve the Group's financial burden; and (v) the potential benefits from the establishment of the Strategic Committee, we concur with the Directors' view that the Disposal is in the interest of the Company and the Shareholders as a whole.

5. The Sale and Purchase Agreement

5.1 *Principal terms*

Details of the Sales and Purchase Agreement are set out in the Letter from the Board. The principal terms of the Sale and Purchase Agreement are set out below:

Date: 9 October 2020

Parties: the Company; and
the Purchaser

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement:

- (a) the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell:
 - (i) the BCP Sale Shares, representing approximately 21.64% of the issued share capital of BCP; and
 - (ii) the BCSL Sale Shares, representing 25% of the issued share capital of BCSL; and
- (b) the Company has conditionally agreed to assign and the Purchaser has conditionally agreed to accept the assignment of the Sale Loan, representing approximately 21.64% of the total amount of the shareholder's loan outstanding and owing by BCP to the Company as at Completion.

The Sale Shares shall be acquired by the Purchaser free from all encumbrances as at the Completion Date together with all rights attached thereto including the right to receive all dividends and distribution declared, made or paid on or after the Completion Date and all

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rights, title, interest and benefits in and to the Sale Loan shall be assigned to the Purchaser with effect from the Completion Date. As at 31 August 2020, based on the management accounts of BCP, its total outstanding loans owing to the Company amounted to approximately GBP110.6 million (equivalent to approximately HK\$1,094.9 million), based on which the Sale Loan amounted to approximately GBP23.9 million (equivalent to approximately HK\$236.6 million) in aggregate as at 31 August 2020.

The Company acknowledges that the Purchaser may be interested to acquire further stakes in BCP and BCSL from the Company (the “Possible Further Sale”), provided that:

- (i) the consideration payable by the Purchaser to the Company and other terms for the Possible Further Sale shall be subject to further agreement between the Purchaser and Company after arm’s length negotiation to be conducted; and
- (ii) completion of the Possible Further Sale shall be subject to the fulfilment of certain conditions precedent which will include, *inter alia*, the following:
 - (a) compliance with all other applicable laws, rules and regulations including but not limited to the Listing Rules for the transactions contemplated under the Possible Further Sale (which may include approval of the Possible Further Sale and the transactions contemplated thereunder by the Shareholders at an extraordinary general meeting); and
 - (b) the grant of any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong, the UK or elsewhere (including but not limited to the Stock Exchange).

Consideration

The initial Consideration for the sale and purchase of the Sale Shares and the assignment of the Sale Loan shall be GBP5.4 million (equivalent to approximately HK\$53.5 million) in aggregate which shall be payable by the Purchaser to the Company in cash within 10 Business Days upon Completion.

In the event that the Sale Loan exceeds GBP23.9 million (equivalent to approximately HK\$236.6 million) as at Completion, the Purchaser shall pay a further consideration to the Company in the sum equal to such excess in cash within 30 Business Days upon Completion. As the parties to the Sale and Purchase Agreement agreed that the Sale Loan shall not exceed GBP25.5 million (equivalent to approximately HK\$252.5 million) as at the Completion Date, the total Consideration is expected to be not more than GBP7.0 million (equivalent to approximately HK\$69.3 million).

Conditions precedent

Completion shall be conditional upon and subject to the fulfilment and satisfaction of the following conditions precedent:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) the approval of:
 - a. the Sale and Purchase Agreement and the transactions contemplated thereunder; and
 - b. the Varied Lease Agreement, the Deed of Variation and the transactions contemplated thereunder,by the Independent Shareholders at the EGM in accordance with the Listing Rules; and
- (ii) the necessary approval from any relevant third parties (including but not limited to any government, government organisation, regulatory authority or any takeover or other listing authority) in relation to the transactions contemplated under the Sale and Purchase Agreement.

If any of the conditions above are not satisfied by the Long Stop Date, either party may by written notice to the other party terminate the Sale and Purchase Agreement without prejudice to the rights and liabilities which accrued prior to termination, which shall continue to subsist.

The sale and purchase of the Sale Shares and the assignment of the Sale Loan are interdependent and shall be completed simultaneously.

Completion

Completion shall take place on the second Business Day after all the conditions to the Sale and Purchase Agreement have been fulfilled or at such time as may otherwise be agreed.

Acknowledgement and Undertaking

The Purchaser and the Company acknowledged that the Sale Loan is interest-free and repayable on demand, and after the Completion Date, in the event that BCP and/or BCSL is required to repay any of the shareholder's loan owing to the Purchaser and the Company, such repayment shall only be made on a pro rata basis in proportion to the amount of shareholder's loan owing to each of the Purchaser and the Company respectively at the time of repayment.

The Purchaser further undertook to the Company that it will not request BCP and/or BCSL to repay any of the shareholder's loan (including but not limited to the Sale Loan) owing by BCP and/or BCSL to the Purchaser respectively from time to time after Completion, unless it is financially viable for BCP and/or BCSL to make such repayment and such repayment will not cause BCP and/or BCSL to become insolvent. We consider the above undertaking from the Purchaser is in the interests of the Company and the Shareholders as a whole as it would restrict the Purchaser from requesting BCP and/or BCSL to make repayment of any loans owing by BCP and/or BCSL to the Purchaser unless it is financially viable for BCP and/or BCSL to make such repayment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.2 Assessment of the consideration

As stated in the Letter from the Board, the initial Consideration was determined after arm's length negotiations between the Company and the Purchaser, after taking into consideration (i) the adjusted net liabilities of BCP Group and BCSL in the amount of approximately GBP80.1 million (equivalent to approximately HK\$793.0 million) and approximately GBP4.9 million (equivalent to approximately HK\$48.5 million) as at 30 June 2020, respectively, based on the net liabilities (before revaluation adjustments) of BCP Group and BCSL of approximately GBP80.1 million (equivalent to approximately HK\$793.0 million) and approximately GBP10.0 million (equivalent to approximately HK\$99.0 million) as at 30 June 2020, respectively, and the market values of the Stadium and the Training Pitch appraised by the Independent Valuer of approximately GBP20.7 million (equivalent to approximately HK\$204.9 million) and approximately GBP3.2 million (equivalent to approximately HK\$31.7 million) as at 30 June 2020, respectively; (ii) the amount of the Sale Loan of approximately GBP23.9 million as at 31 August 2020; (iii) financial performance of the Football Club Segment for the year ended 30 June 2020 having recorded a net loss of approximately HK\$186.5 million; (iv) the Profit and Loss Sharing Arrangement; and (v) the benefits of the Disposal and use of proceeds as set out in the section headed "Reasons for and benefits of the Disposal and use of proceeds" in the Letter from the Board.

We have reviewed the calculation of the initial Consideration taking into account the adjusted book value of the Target Group and the outstanding balance of the Sale Loan as at 31 August 2020 as below:

	BCP Group <i>GBP'000</i>	BCSL <i>GBP'000</i>	Total <i>GBP'000</i>
Unaudited net (liabilities)/assets value as at 30 June 2020 (<i>Note 1</i>)	(81,523)	1,247	(80,276)
Consolidation adjustments (<i>Note 2</i>)	<u>1,426</u>	<u>(11,224)</u>	<u>(9,798)</u>
	----- (80,097)	----- (9,977)	----- (90,074)
<i>Adjustment items</i>			
Add: Market value of the Stadium and the Training Pitch according to the Property Valuation Report	3,170	20,700	23,870
Less: Corresponding book value as at 30 June 2020	(3,115)	(14,396)	(17,511)
Deferred tax adjustment (<i>Note 3</i>)	<u>(10)</u>	<u>(1,198)</u>	<u>(1,208)</u>
	----- 45	----- 5,106	----- 5,151
Adjusted net liabilities	(80,052)	(4,871)	(84,923)
Equity interest to be disposed of	21.64%	25%	
Adjusted net liabilities of the assets to be disposed of	(17,323)	(1,218)	(18,541)
Sale Loan as at 31 August 2020	23,939	-	23,939
Adjusted net assets value/(liabilities) net of Sale Loan	6,616	(1,218)	5,398

Note 1: The unaudited net liabilities as at 30 June 2020 is extracted from the consolidated management accounts of the BCP Group and the management accounts of BCSL for FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 2: Consolidation adjustments include (i) the adjustment for the group reorganisation undertaken by the BCP Group during FY2019 of approximately GBP11.2 million; (ii) the adjustment for the carrying value of intangible assets arisen from the Group's acquisition of the Football Club Segment of approximately GBP1.1 million; and (iii) the intercompany elimination of lease liabilities arisen from the Existing Lease Agreement between BCSL and BCFC of approximately GBP0.3 million.

Note 3: As there may be potential tax liabilities to be borne by the Target Group upon disposal of the Stadium and the Training Pitch, as advised by the Company, in arriving at the adjusted net assets value, the net assets value of the Target Group has been adjusted downwards by the estimated potential tax liabilities of approximately GBP1.2 million, which was calculated at an applicable tax rate of 19%, being the corporation tax rate in the UK, on the revaluation gain on the Stadium and the Training Pitch.

Based on the above, the initial Consideration of GBP5.4 million approximates the adjusted net assets value of the assets to be disposed of.

5.2.1 Property Valuation Report

In assessing the fairness and reasonableness of the appraised market value of the Stadium and the Training Pitch, we have reviewed the Property Valuation Report and the underlying calculation spreadsheet and enquired with the Independent Valuer, among other things: (i) the terms of engagement and the scope of work of the Independent Valuer; (ii) the qualification and independence of the Independent Valuer; (iii) the procedures and major assumptions adopted by the Independent Valuer; and (iv) the selection of valuation methodology for the valuation.

i. Scope of work

We have reviewed the terms of engagement of the Independent Valuer and consider that the scope of work is appropriate to the valuation and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Property Valuation Report. We also understand from the Independent Valuer that it conducted the valuation in accordance with the Hong Kong Institute of Surveyors Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 to the Listing Rules.

ii. The Independent Valuer's qualification and independence

We have enquired the qualification, experience and independence of the Independent Valuer in relation to the performance of the valuation. We were given to understand that the Independent Valuer is certified with the relevant professional qualifications and experience. The Independent Valuer has also confirmed that they are independent to the Group and all relevant material information provided by the Group had been incorporated in the Property Valuation Report. Based on the above, we are of the view that the Independent Valuer is qualified to conduct the valuation.

iii. Procedures and major assumptions adopted by the Independent Valuer

We have enquired with and were advised by the Independent Valuer that they had performed necessary due diligence works for the preparation of the Property Valuation Report, which includes, among others, discussions with the management of the Company, review of backgrounds and financial information of the Group and the Target Group, title searches at the Land Registry of UK and on-site inspections.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the Independent Valuer has made certain major assumptions, including but not limited to that (i) all necessary statutory approvals for the properties have been obtained; (ii) transferable land use rights in respect of the properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid; (iii) the owner of the properties has enforceable titles to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted; (iv) no deleterious or hazardous materials or techniques have been used in the construction of the properties; and (v) the properties is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown.

iv. Selection of valuation methodology

The Target Group's properties mainly comprised the Stadium and the Training Pitch. In valuing the Stadium and the Training Pitch, the Independent Valuer has adopted different valuation methodologies to perform the property valuation, details of which are set out in Appendix I to this circular.

1. The Stadium

We are advised by the Independent Valuer that there are three common approaches in valuing properties, namely the depreciated replacement cost approach, direct comparison approach and income capitalisation approach. We understand from the Independent Valuer that (i) the direct comparison approach was not adopted in the case of valuing the Stadium due to the lack of readily available market sales comparables; and (ii) the income capitalisation approach was not considered appropriate as plenty of assumptions were involved in formulating the financial projection of relevant properties, and the assumptions might not be able to reflect the uncertainties in the future performance of the relevant properties and improper assumptions will impose significant impact on the fair value. The Independent Valuer concluded that the depreciated replacement cost method, which establishes value based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, is deemed to be the most appropriate method on valuating the Stadium.

2. The Training Pitch

We are further advised by the Independent Valuer that the direct comparison approach is adopted for the valuation of the Training Pitch based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Independent Valuer that comparable transactions of properties of similar use and location are analysed and carefully weighed against all the respective advantages and disadvantages of the Training Pitch in order to arrive at a fair comparison of market value. We have discussed with the Independent Valuer on the valuation methodology applied, and reviewed the three comparable transactions provided by the Independent Valuer and noted that (i) the chosen comparable properties were located in the UK; (ii) the comparable transactions were within 7 years before the date of the Transaction Documents; and (iii) adjustments were made on the market price of the comparable properties according to the respective condition, location and years of construction; and (iv) the cost estimate was based on the site area of the Training Pitch multiplied by the unit price per sq.m. estimated with reference to the adjusted construction costs of the chosen comparable properties.

Based on our review on the Property Valuation Report and having considered (i) our assessment of the scope of work of the Independent Valuer; (ii) qualification and independence of the Independent Valuer; (iii) the procedures and major assumptions adopted by the Independent Valuer; and (iv) the methodology being applied in the valuation, we are of the view that the appraised market value of the Stadium and the Training Pitch was arrived at after due and careful consideration.

5.3 Alternative analyses for the Disposal

To further assess the fairness and reasonableness of the Consideration, it is a general practice to apply commonly used benchmarks such as the price-to-earnings ratio and the price-to-book ratio for evaluating the value of companies. However, due to the loss-making financial performance and the net liability position of the Target Group, we consider that such analyses are not applicable. Alternatively, we have compared the price-to-sales (the “P/S”) ratio of the comparable companies (“Comparable Companies”), which is a common market practice to value non-profit making businesses. We have identified seven Comparable Companies on best-effort and exhaustive bases, based on the following selection criteria: (i) the selected companies are principally engaged in the operation and management of professional football clubs in European countries; (ii) they are publicly listed on recognised stock exchanges and their financial information must be publicly available; and (iii) their market capitalisation was over HK\$1 billion as at the Latest Practicable Date. We consider the selection of the Comparable Companies for our analysis on P/S ratio is appropriate because the aforementioned selection criteria allowed us to select the Comparable Companies which are exposed to similar extent of macro-economic factors and industrial outlook as to the Group’s Football Club Segment. Set out below is our analysis on the Comparable Companies:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Name of company	Listing location	Principal business	P/S ratio (Note 1) times
MANU: US	Manchester United Plc	New York	Principally engaged in the operation of a professional sports club in EPL	3.82
JUVE: IM	Juventus Football Club SpA	Italy	Principally engaged in the operation of a professional soccer club which belongs to the Italian Serie A division	1.82
BVB: GR	Borussia Dortmund GmbH & Co KGaA	Frankfurt	Principally engaged in the operation of a professional soccer club which plays in Germany's first division	1.08
AJAX: NA	AFC Ajax NV	Amsterdam	Principally engaged in the operation of a professional Dutch soccer club	1.83
ASR: IM	AS Roma SpA	Italy	Principally engaged in the operation of a professional soccer club which belongs to the Italian Serie A division	1.31
CCP: LN	Celtic PLC	London	Principally engaged in the operation of a professional football club and the provision of all on-field related activities for the team	1.38
OLG: FP	OL Groupe SA	Paris	Principally engaged in the operation of the Olympique Lyonnais football club	0.64
			Minimum:	0.64
			Maximum:	3.82
			Average:	1.70
			Median:	1.38
	The Target Group		Principally engaged in the operation and management of BCFC and Birmingham City Women Football Club in the UK	1.02 (Note 2)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

1. The P/S ratio is calculated by dividing the market capitalisation as at Latest Practicable Date of the Comparable Companies with their latest published audited annual revenue.
2. The implied P/S ratio of the Target Group is calculated by dividing the consideration of GBP5.4 million with the sum of 21.64% of unaudited revenue of BCP Group and 25% of unaudited revenue of BCSL for FY2020.

As illustrated in the table above, the P/S ratio of the Comparable Companies range from a minimum of approximately 0.64 times to a maximum of approximately 3.82 times with an average of approximately 1.70 times and a median of approximately 1.38 times. The implied P/S ratio of the Target Group of approximately 1.02 times is within the range of those of the Comparable Companies but lower than the average and the median P/S ratio of those of the Comparable Companies. Considering that (i) as the Group will retain controlling stakes in the Target Group upon Completion, it is common to apply a discount for lack of control on valuing non-controlling interest; and (ii) as the shares of the Target Group is not publicly traded on stock exchange, it is common to apply a discount for lack of marketability to the value of the equity interest which is not as liquid as the stocks of publicly traded companies, we concur with the management of the Company that the lower implied P/S ratio of the Target Group than the average and the median P/S ratio of the Comparable Companies is acceptable.

Based on the above, we concur with the view of the management of the Company that the Consideration of the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5.4 Possible financial impacts of the Disposal

Upon Completion, the Group's equity interest in BCP will decrease from 96.64% to 75% and the Group's equity interest in BCSL will decrease from 100% to 75%. The Group will continue to exercise control over the board of directors of BCP and BCSL. As such, BCP and BCSL will remain the subsidiaries of the Company and their financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group.

5.4.1 Working capital

As the consideration of the Disposal will be fully settled in cash, the working capital position of the Group will be increased by the initial Consideration amount net of professional fees and other related expenses of approximately GBP5.0 million (equivalent to approximately HK\$49.5 million) upon Completion.

5.4.2 Earnings

As BCP and BCSL will remain as the non-wholly owned subsidiaries of the Company and their financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group, the Directors expected that any gain from the Disposal will be recognised as an equity transaction in the consolidated statement of changes in equity of the Group and accordingly the Group shall not have any material impacts on its earnings upon Completion. However, in view of (i) the historical operational and financial performance of the Football Club Segment as disclosed above, and (ii) the Company's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

intention to apply part of the net proceeds from the Disposal for repayment of external debts so as to lower its finance costs, the Disposal is expected to relieve the Company's financial burden in supporting the ongoing operation of the Football Club Segment and improve the Group's future financial performance.

Based on the aforementioned possible financial impacts of the Disposal on the Group, in particular, the positive impact on the Group's working capital and future financial performance, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

6. The Shareholders' Agreement

6.1 Principal terms

On 9 October 2020, the Company and the Purchaser entered into the Shareholders' Agreement which provides the rights and duties and further regulates the respective responsibilities of the Company and the Purchaser towards the management of the business and affairs of BCP Group. The principal terms of the Shareholders' Agreement are set out below.

The Shareholders' Agreement shall become effective upon satisfaction of all of the following conditions:

- (a) approval of the Shareholders' Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in accordance with the Listing Rules; and
- (b) the completion of the Disposal,

whereupon the rights and obligations of the Company and the Purchaser under the Shareholders' Agreement shall take effect from the date on which all the above conditions are fulfilled.

The Shareholders' Agreement shall be automatically terminated upon termination of the Sale and Purchase Agreement.

The Shareholders' Agreement shall continue in full force and effect until:

- (a) BCP shall be wound up or otherwise cease to exist as a separate corporate entity;
- (b) with respect to the Company and/or the Purchaser, it ceases to own any shares of BCP;
or
- (c) the Company and the Purchaser shall enter into a written agreement to terminate the Shareholders' Agreement.

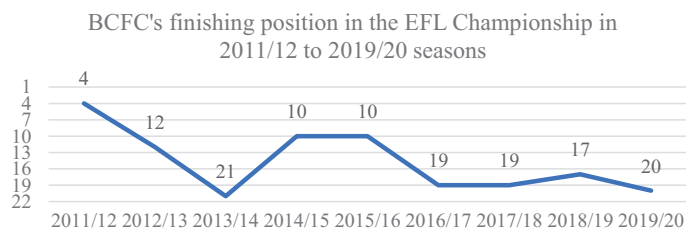
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.2 The Profit and Loss Sharing Arrangement

6.2.1 Compensation

Pursuant to the Shareholders' Agreement, the Purchaser undertook to the Company that, in the event that the Football Club Segment, which principally consists of the BCP Group and the BCSL, incurs a loss after taxation (the "Loss") for any of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023, respectively in which the Club does not compete in the EPL, as reviewed by the auditors engaged by the Company (the "Reviewed Accounts"), the Purchaser shall pay the Compensation to the Company in cash in an amount equivalent to the Company's share of the Loss (i.e. 75% of the Loss) in full within 30 days after the Company issues a payment notice upon the issue of the relevant Reviewed Accounts in the relevant financial year(s) in which the Football Club Segment incurs the Loss. The Reviewed Accounts shall be issued within three months after the end of the relevant financial years of the Company and shall be prepared in accordance with the Hong Kong Financial Reporting Standards and the accounting policies consistent with the accounting policies adopted by the Company from time to time.

As disclosed in the Annual Results 2020, the Club finished at the 20th position in the EFL Championship in 2019/20 season and continues to play in the EFL Championship in 2020/21 season. It is the tenth consecutive season in which the Club has been playing in the EFL Championship since 2011/12 season. Set out below is the Club finishing position in the EFL Championship for 2011/12 to 2019/20 seasons:



Source: www.skysports.com

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above, the Club, except in the 2011/12 season that it finished at the 4th position in EFL Championship, it did not finish among the first sixth positions which is the prerequisite for a Championship Club to have a chance to be promoted to the EPL. As stated in the Letter from the Board, having considered the historical financial performance of the Football Club Segment, which recorded segment loss of approximately HK\$388.1 million, HK\$310.7 million and HK\$186.5 million for the years ended 30 June 2018, 2019 and 2020, respectively, the Company expects that it will continue to record loss unless the Club is promoted to the EPL. As the Club continues to play in the EFL Championship in the 2020/21 season, any Loss of the Football Club Segment for the year ending 30 June 2021 would be compensated by the Purchaser in an amount equivalent to 75% of the Loss. Having considered that (i) the historical financial performance of the Football Club Segment; (ii) the previous finishing positions of the Club in the EFL Championship in past seasons; (iii) according to the Annual Review published in 2020, with wage cost growth continuing to outstrip revenue growth, Championship Clubs recorded record high operating losses for four successive seasons since 2015/16, we concur with the Company's expectation that the Football Club Segment is likely to continue to incur loss during the three years ending 30 June 2023 should the Club is not promoted to the EPL.

As noted from the Annual Report 2019, the Club received the decision of the EFL Disciplinary Commission in connection with breaches of the P&S Rules in March 2019 as the aggregate loss of the Club in three seasons since 2015/16 season exceeded the upper loss threshold and the loss of the Club in 2017/18 season exceeded the annual threshold. Pursuant to the decision of the EFL Disciplinary Commission, 9 points was deducted from the points earned in the EFL Championship by the Club in 2018/19 season. In view of the continuous operating loss of the Football Club Segment, we consider the risk of future breaches of the P&S Rules still exists and point deduction may be imposed subject to decision of the EFL Disciplinary Commission in the event of breaches of the P&S Rules. In the event of point deduction, the finishing position of the Club would be adversely affected. As discussed with the management of the Company, to ensure compliance with the P&S Rules, the Club would need to be more cautious on its spending in each season, in particular when hiring new players. We consider the limitation on high spending on recruiting new players, which is important to a maintain a healthy financial performance, will nevertheless make it more difficult for Club's promotion back to the EPL.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps for the Compensation

The following table sets out the proposed annual caps in respect of the Compensation for the three years ending 30 June 2023:

	Year ending 30 June		
	2021	2022	2023
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Proposed annual caps in respect of the Compensation	25,000 (equivalent to approximately HK\$247.5 million)	25,000 (equivalent to approximately HK\$247.5 million)	25,000 (equivalent to approximately HK\$247.5 million)

As disclosed in the Letter from the Board, the proposed annual caps in respect of the Compensation is determined based on 75% of the historical loss after taxation of the Football Club Segment, after adjusting for non-recurring items for the recent two financial years of the Group. We understood from the management of the Company that (i) such adjustments for non-recurring items represent the profit on sales of players' registration; and (ii) if such non-recurring items were not excluded from the determination of proposed annual caps, the actual operating loss of the Football Club Segment would be mitigated by such one-off profits and the proposed annual caps would be underestimated which might not be sufficient to accommodate the possible amount of Compensation. Therefore, we consider that the exclusion of non-recurring items for the determination of the proposed annual caps is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness of the proposed annual caps in respect of the Compensation, we have discussed the basis and assumptions with the management of the Company and reviewed the calculation of the proposed annual caps and noted that the proposed annual caps are determined with reference to (i) the segment loss of the Football Club Segment of approximately GBP30.6 million and GBP19.0 million for the year ended 30 June 2019 and 2020, respectively; (ii) an adjustment of the profit on sales of players' registration of approximately GBP 4.2 million and GBP11.7 million, which was non-recurring in nature, was made for the year ended 30 June 2019 and 2020, respectively. Excluding the non-recurring profit, the adjusted segment loss of the Football Club Segment for the year ended 30 June 2020 would be approximately GBP34.8 million and GBP30.7 million for the year ended 30 June 2019 and 2020, respectively; and (iii) the average of the 75% of the adjusted segment loss of the Football Club Segment for the year ended 30 June 2019 and 2020 amounted to approximately GBP24.6 million. We also understood from the management of the Company that it is expected that the operating results of the Football Club Segment for the years ending 30 June 2021, 2022 and 2023 would be generally in line with its historical performance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we are of the view that the basis and assumptions of determining the proposed annual caps in respect of the Compensation are fair and reasonable.

Having considered that with the Profit and Loss Sharing Arrangement in place, any Loss of the Football Club Segment attributable to the Group for each of the three financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 is expected to be mitigated by the Compensation from the Purchaser, we consider that the Profit and Loss Sharing Agreement in respect of the Compensation is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

6.2.2 Bonus

As part of the Profit and Loss Sharing Arrangement, on the other hand, the Company agrees that, in the event that the Club is promoted to and competes in the EPL in any of the 2021/22 EPL Season, 2022/23 EPL Season or 2023/24 EPL Season, it shall pay the Purchaser an annual bonus equivalent to 75% of the Company's share of the net profit of the Football Club Segment (based on the Company's 75% equity interest in the BCP Group upon Completion) for each of the financial years in which the Club participates in the EPL competitions up to the financial year ending 30 June 2024 as shown in the relevant Reviewed Accounts within 30 days after the Purchaser issues a payment notice upon the issue of the relevant Reviewed Accounts (the "Bonus Due Date"), provided that the Company shall only pay the Bonus out of the cash that it receives from BCP or BCSL in the form of, including, but not limited to, repayments of shareholder's loans or dividend payments (if any). The maximum total amount of Bonus payable by the Company up to 30 June 2024 shall not exceed GBP90.0 million (equivalent to approximately HK\$891.0 million). In the event that the cash received by the Company from BCP or BCSL (if any) as at the Bonus Due Date is insufficient for paying off the Bonus in full amount, the Company shall be under continuing obligation to pay off the outstanding amount of the Bonus out of the cash to be received from BCP or BCSL (if any) until the Bonus has been fully paid.

As disclosed in the Letter from the Board, the Company considers that the Bonus provides sufficient but not excessive incentive for the Purchaser to endeavor the promotion of the Club to the EPL before the 2023/24 EPL Season through its participation in the Strategic Committee. In the event that the Club is successfully promoted to the EPL before the 2023/24 EPL Season, the Group expects that the financial performance of the Football Club Segment will be improved and the Group will be able to enjoy any segment profit to be generated after taking into account the Bonus to be entitled by the Purchaser. Accordingly, we concur with the Company's expectation that it will be better off in any event in terms of its share of economic interest in the Football Club Segment for the three years ending 30 June 2023 with the Profit and Loss Sharing Arrangement in place.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

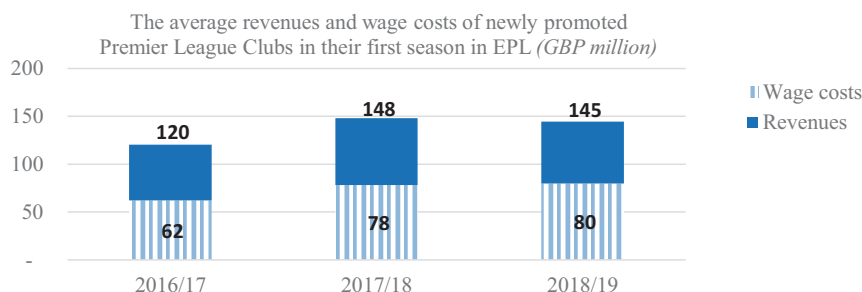
Proposed annual caps for the Bonus

The following table sets out the proposed annual caps in respect of the Bonus for the three years ending 30 June 2024:

	Year ending 30 June		
	2022	2023	2024
	<i>GBP'000</i>	<i>GBP'000</i>	<i>GBP'000</i>
Proposed annual caps in respect of the Bonus	30,000	30,000	30,000
	(equivalent to approximately HK\$297.0 million)	(equivalent to approximately HK\$297.0 million)	(equivalent to approximately HK\$297.0 million)

In order to assess the reasonableness of the proposed annual caps in respect of the Bonus, we have discussed the basis and assumptions with the management of the Company and reviewed the calculation of the proposed annual cap and noted that the proposed annual caps are determined with reference to: (i) assuming that the Club will participate in the EPL competitions in the 2021/22 EPL Season, 2022/23 EPL Season and 2023/24 EPL Season; (ii) the financial performance of other football clubs participating in the EPL competitions; and (iii) the Club will maintain a team that can subsist in the EPL competitions and there would not be material changes in the cost structure of the BCP Group and BCSL during the three years ending 30 June 2024.

The Club competed in the EPL from 2002/03 to 2005/06 seasons, 2007/08 season, and from 2009/10 to 2010/11 seasons, in which the Club's finishing positions ranged from 9th to 19th. According to the official website of the EPL, the prize money distributed to Premier League Clubs finishing at 9th to 20th positions amounted to a range of approximately GBP96.6 million to GBP123.3 million in 2018/19 EPL Season. According to the Annual Review published in 2020, the average wage costs to revenue ratio of Premier League Clubs was approximately 61% in 2018/19 season and the wage cost growth has outstripped the revenue growth of Premier League Clubs in 2017/18 and 2018/19 seasons. Set out below is an illustration of the average revenues and wage costs of three newly promoted Premier League Clubs in each of 2016/17, 2017/18 and 2018/19 seasons:



Source: Annual Review published in 2018 to 2020, EPL's official website

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above, the amounts of average revenues net of wage costs of a newly promoted Premier League Club in 2016/17 to 2018/19 seasons were in a range of approximately GBP58 million to GBP70 million.

We further noted from the Annual Review published in 2020 that the average pre-tax operating profit, which is calculated as the revenue less wage costs and other operating costs excluding profit/loss on players trading and certain exceptional items, of a Premier League Club in the 2016/17 season, 2017/18 season and 2018/19 season was in a range of approximately GBP41 million to GBP52 million. Assuming the Club's financial performance to be generally in line with the historical average financial performance of other Premier League Clubs, and netting off the corporation tax rate at 19% in the UK, the theoretical amount of the after-tax operating profit, without consideration of any profit/loss on players trading and exceptional items, of the Club is estimated to be in a range of approximately GBP33 million to GBP42 million. Therefore, 75% of the Company's share of the net profit of the Football Club Segment is estimated to be in a range of approximately GBP19 million to GBP24 million. We further understood from the management that a buffer of approximately 10% to 15% was applied to allow for flexibility to cope with circumstances, such as profit on sale of players' registration. According to the Annual Results 2020, the profit on sales of players' registration was approximately GBP12 million. Based on the above, we concur with the Directors' view that the proposed annual caps in respect of the Bonus by the Company to the Purchaser up to 30 June 2024 is fair and reasonable.

6.2.3 Guarantee

In consideration of the Company's entering into the Sale and Purchase Agreement and the Shareholders' Agreement with the Purchaser, Mr. Vong Pech (as the guarantor) irrevocably and unconditionally, as primary obligor, undertook to the Company and guaranteed the full, prompt, complete and due performance by the Purchaser of all and any of its obligations under the Sale and Purchase Agreement and the Shareholders' Agreement and the due and punctual payment of all sums now or subsequently payable by the Purchaser under the Sale and Purchase Agreement and the Shareholders' Agreement when the same shall become due. Mr. Vong Pech further undertook to pay such sum demanded by the Company if the Purchaser defaults in the payment of any sum under the Sale and Purchase Agreement and the Shareholders' Agreement.

We have also discussed with the management of the Company on the financial capability of the Purchaser to honor its compensation obligation and obtained and reviewed the latest audited financial statements for the year ended 31 December 2019 of the Purchaser. Considering that (i) the net asset value of the Purchaser as at 31 December 2019 was higher than the maximum aggregate amount of the Compensation (i.e. GBP75 million); (ii) the Group's established business relationship with the Purchaser including but not limited to the Group's acquisition and lease of certain commercial and residential buildings in Cambodia since 2017; and (iii) Mr. Vong Pech (as the guarantor) irrevocably and unconditionally, as primary obligor, undertook to the Company and guaranteed the full, prompt, complete and due performance by the Purchaser of all and any of its obligations under the Sale and Purchase Agreement and the Shareholders' Agreement, we concur with the Directors' view that the Purchaser has sufficient financial capability to honor its compensation obligation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, given that (i) the Loss of the Football Club Segment attributable to the Group for each of the three financial years ending 30 June 2021, 2022 and 2023 is expected to be mitigated by the compensation from the Purchaser in an amount equivalent to 75% of the Loss in the event if the Club is not promoted to EPL; (ii) the Bonus provides an incentive for the Purchaser to endeavour the promotion of the Club to the EPL before the 2023/24 EPL Season through its participation in the Strategic Committee; (iii) in the event that the Club is successfully promoted to the EPL before the 2023/24 EPL Season, the financial performance of the Football Club Segment is expected to be improved and the Group will be able to enjoy any segment profit to be generated after taking into account the Bonus to be entitled by the Purchaser; and (iv) the proposed annual caps in respect of the Compensation and the Bonus are fair and reasonable; we consider that the Profit and Loss Sharing Arrangement is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Independent Shareholders should note that the proposed annual caps and the underlying assumptions and calculations should not be construed as a forecast of any future expenditure, income or profitability of the Group.

7. The Deed of Variation and the Varied Lease Agreement

7.1 *Principal terms*

Upon Completion, the Company, BCSL and BCFC will enter into the Deed of Variation and BCSL and BCFC will enter into the Varied Lease Agreement to vary certain terms of the Existing Lease Agreement in relation to the lease of the Stadium including the variation of the term and the release and discharge of the Company's guarantee in the Existing Lease Agreement. The Stadium is used as the football stadium and for ancillary uses of BCFC. Details of the principal terms of the Varied Lease Agreement are set out below:

Parties:	BCSL, as landlord; and BCFC, as tenant
Premises:	the Stadium
Term:	the Deed of Variation will be entered into on the Completion Date and the term of the Varied Lease Agreement will end on 30 June 2023
Rental:	GBP1,250,000 (equivalent to approximately HK\$12.4 million) per annum

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, the rental of the Stadium under the Varied Lease Agreement was determined by the parties to the Varied Lease Agreement after arm's length negotiation and with reference to the opinion of the Independent Valuer. According to the Fair Rent Letter, the Independent Valuer is of the opinion that the rental of the Stadium under the Varied Lease Agreement is fair and reasonable and consistent with the prevailing market rents (defined by the Independent Valuer 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) for similar premises in the UK. All the terms of the Varied Lease Agreement are made on normal commercial terms and are consistent with the prevailing market. We have reviewed the list of comparable premises selected by the Independent Valuer and noted that the premises are (i) stadiums leased by professional football clubs competing in the EPL or the EFL Championship; and (ii) located in the UK.

Conditions precedent

The Varied Lease Agreement and the related annual caps for the period from the Completion Date to 30 June 2021 and for the two years ending 30 June 2022 and 2023 are subject to approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.

7.2 Proposed annual caps in respect of the Varied Lease Agreement

The following table sets out the proposed annual caps in respect of the transactions contemplated under the Varied Lease Agreement for the period from the Completion Date to 30 June 2021 and for the two years ending 30 June 2022 and 2023:

	From the Completion Date to 30 June 2021 GBP'000	Year ending 30 June 2022 GBP'000	2023 GBP'000
Proposed annual caps	840 ^(Note) (equivalent to approximately HK\$8.3 million)	1,250 (equivalent to approximately HK\$12.4 million)	1,250 (equivalent to approximately HK\$12.4 million)

Note: This represents the proposed annual caps for approximately 8 months from the Completion Date to 30 June 2021.

The Stadium rental fee payable by BCFC to BCSL for the year ended 30 June 2020 was approximately GBP1,250,000. Each of the proposed annual caps is determined based on the annual rental payable by BCFC to BCSL under the Varied Lease Agreement in each financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Independent Valuer the methodology, basis and assumptions adopted in arriving at the market rental of the Stadium. We are advised by the Independent Valuer that in determination of the market rentals, the Independent Valuer has examined the passing rentals by considering the current market condition, the comparable rentals of similar properties in vicinity, and the existing rental that can be achieved under normal commercial terms of tenancy agreement under arm's length transactions after normal marketing period without compulsion. We have discussed with the Independent Valuer the selection criteria of the comparable transactions used by Independent Valuer for assessing the market rental of the Stadium and noted that the comparable transactions are (i) the lease of stadiums by professional football clubs competing in the EPL or the EFL Championship and (ii) located in the UK. As such, we concur with the Independent Valuer that the comparable transactions used in assessing the market rental of the Stadium are reasonable and comparable to the Stadium. We are also advised by the Independent Valuer that given the nature of use of the Stadium, the comparison approach was the most appropriate valuation method in arriving at the market rental of the Stadium and such approach was in compliance with the standards and guidelines set out in The Hong Kong Institute of Surveyors Valuation Standards on Properties 2017 Edition issued by the Hong Kong Institute of Surveyors and in compliance with the requirements as set out in Chapter 5 to the Listing Rules. We have also reviewed the Existing Lease Agreement in relation to the lease of the Stadium and noted that the proposed annual caps are consistent with the historical rental payable stipulated in the Existing Lease Agreement.

Having considered the abovementioned factors, we consider that the rental of the Stadium under Varied Lease Agreement is fair and reasonable and on normal commercial term. Therefore, we concur with the Directors' view that the proposed annual caps in respect of the transactions contemplated under the Varied Lease Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7.3 Reasons for entering into the Deed of Variation and the Varied Lease Agreement

BCFC and BCSL, both being subsidiaries of the Company, are parties to the Existing Lease Agreement in respect of the lease of the Stadium by BCSL to BCFC as the football stadium of the Club and for ancillary uses by BCFC.

Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by virtue of the Purchaser being a connected person of the Company and its 21.64% and 25% shareholding in BCP and BCSL, respectively, upon Completion. Accordingly, BCFC and BCSL will enter into the Deed of Variation upon Completion to shorten the term of the lease and to release and discharge the Company's guarantee in the Existing Lease Agreement, in order to comply with the relevant requirements under the Listing Rules, and the transactions contemplated under the Varied Lease Agreement will constitute continuing connected transactions of the Company. Having considered that Listing Rule 14A.52 provides that agreements entered into with a connected person in respect of a continuing connected transaction that is not exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A, must be for a fixed period and not exceed three years in duration, unless there are special circumstances where the nature of the transaction requires a longer period, we concur with the Directors' view that the entering into of the Deed of Variation upon Completion

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to shorten the term of the lease and to release and discharge the Company's guarantee in the Existing Lease Agreement, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

8. Internal control measures for the Profit and Loss Sharing Arrangement and the Varied Lease Agreement

As disclosed in the Letter from the Board, the Group will adhere to a series of internal control measures in respect of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement, such as, (i) the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the proposed annual caps in respect of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement will not be exceeded; (ii) reports containing total transaction amount under the Profit and Loss Arrangement and the Varied Lease Agreement will be submitted to the management of the Group on a yearly and monthly basis, respectively; and (iii) the Independent Non-executive Directors and the auditors of the Company will conduct annual review of the transactions contemplated under the Profit and Loss Sharing Arrangement and the Varied Lease Agreement.

Having considered that (i) a monitoring system will be in place with the accounts department of the Group ensuring that the proposed annual caps are not exceeded from time to time; (ii) a monthly report reviewing the total transaction amount will be compiled and submitted to the management of the Group; and (iii) the transactions contemplated under the Profit and Loss Arrangement and the Varied Lease Agreement will be annually reviewed by the Independent Non-executive Directors and the auditors of the Company, we are of the view that the internal control measures are adequate and effective in ensuring the transactions contemplated under the Profit and Loss Arrangement and the Varied Lease Agreement will be entered into on normal commercial terms and there is an effective system in place to monitor the annual caps.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Transaction Documents and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; (iii) the entering into of the Varied Lease Agreement is in the ordinary and usual course of business of the Group; and (iv) the transactions contemplated under the Transaction Documents are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions for approving the Transaction Documents and the transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 12 years of experience in the field of corporate finance advisory.

The following is the text of a letter and valuation particulars, 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 30 September 2020 of the property interests of the Group.

The Board of Directors
Birmingham Sports Holdings Limited
31/F., Vertical Sq,
No. 28 Heung Yip Road,
Wong Chuk Hang,
Hong Kong



17 November 2020

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests (the “Property”) held by Birmingham Sports Holdings Limited (the “Company”) or its subsidiaries (together referred as the “Group”) in Birmingham of United Kingdom, we confirm that we have 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 30 September 2020 (the “Valuation Date”).

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

BASIS OF VALUATION

The valuation is our opinion of the market value (the “Market Value”) which we would define as intended to mean 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

For property 1, since there are no market sales comparables, the properties have been valued on the basis of depreciated replacement cost (“DRC”). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

For property 2, direct comparison approach is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION STANDARDS

In valuing the Property, we have complied with all the requirements contained in Chapter 5 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 ASSUMPTIONS

Our valuation has been made on the assumption that the Property 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.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property 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. 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. We have also sought confirmation from the Company 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 Property 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 Property upon which this report is based, all required licenses, permit, certificates, and authorisations have been obtained.

TITLE INVESTIGATION

We have caused title searches to be made at the Land Registry of United Kingdom. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents and leases have been used for reference only.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property in June 2019 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 is free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

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

We have had no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Company that no material factors have 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 valuation for any charges, mortgages or amounts owing on any property or any expenses and taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets and brought uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

We hereby confirm that JP Assets Consultancy Limited and the undersigned have no pecuniary or other interest that could conflict with the property valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

REMARKS

We have valued the Property in Great Britain Pound (GBP).

We enclose herewith the summary of valuation and valuation particulars.

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, United Kingdom, Canada, mainland China and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors as well as a Member of China Institute of Real Estate Appraisers and Agents in the PRC.

SUMMARY OF VALUATION

Property Interests held by the Group for owner-occupation

No.	Property	Market Value in existing state as at 30 September 2020 GBP
1.	St. Andrew's Trillion Trophy Stadium Cattell Road, Birmingham, B9 4NH, England, the United Kingdom	20,700,000
2.	A club's training pitch located at West Hills Playing Fields, West Hill Lane, Birmingham B38 9EH, England, the United Kingdom	3,170,000
	Total	<u>23,870,000</u>

VALUATION PARTICULARS

Property Interests held by the Group for owner-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2020 GBP
1. St. Andrew's Trillion Trophy Stadium, Cattell Road, Birmingham, B9 4NH, England, the United Kingdom (the "Stadium")	<p>The property comprises various land parcels with a total site area of approximately 60,593 sq.m. upon which a football stadium and various buildings and structures were erected.</p> <p>The Stadium was built in 1905 and opened in 1906. Portions of the Stadium (i.e. the Main Stand and the Railway End) were substantially redeveloped and renovated in 1994, 1999 and 2009 respectively. The extent of the turfed area is about 7,950 sq.m..</p> <p>The capacity of the Stadium is about 30,009. The total gross internal floor area of the buildings and structures of the Stadium including a main stand, a railway stand, a spion Kop, a tilton road and a club shop but excluding car parking spaces is approximately 14,680.06 sq.m..</p> <p>The land status of the property is freehold.</p>	The property is occupied as football stadium and ancillary uses.	20,700,000 (GREAT BRITAIN POUND TWENTY MILLION SEVEN HUNDRED THOUSAND)

Notes:

- i) According to latest land registry records, (Title Nos.WM681449, WM681450, WM205611, WM679958, WM683306 and WM718999), the registered owner of the property is Birmingham City Football Club PLC (“BCFC”) (Company Registry No. 27318).
- ii) According to a signed form of Transfer of whole of registered title(s) provided, Birmingham City Stadium Ltd. (“BCSL”) was the buyer and BCFC was the seller of the Property dated 31 May 2019.
- iii) According to a latest land registry record of title number WM679958, portion of the land is subject to a lease for a term of 99 years commencing from 29 September 1956.
- iv) We have prepared our valuation based on the following assumptions:
 - a) BCFC is in possession of a proper legal title to transfer the property to BCSL and is entitled to transfer the property at no extra land premium or other onerous payment payable to the government;
 - b) All land premium and other costs of ancillary utilities services have been settled in full;
 - c) The property is not subject to mortgage or any other material encumbrances;
 - d) The design, construction and uses of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - e) The property may be disposed of freely to both local and overseas purchasers.
- v) The lease agreement entered into among the Company (as guarantor), BCSL (as landlord) and BCFC (as tenant) dated 31 May 2019, pursuant to which BCSL leased the Stadium to BCFC for a term of twenty five years at a rent of GBP1,250,000 per annum, after which the rent will be reviewed on every fifth anniversary thereof.

VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2020 GBP
2. A club's training pitch located at West Hills Playing Fields, West Hill Lane, Birmingham B38 9EH, England, the United Kingdom (the "Training Pitch")	<p>The property comprises a land parcel with a site area of approximately about 210,435 sq.m. upon which a training pitch and ancillary buildings and structures including offices, gymnasium, adjoining link corridor and training rooms were erected in between 2001 and 2007 respectively.</p> <p>The total gross floor area of the buildings and structures of the property is approximately 4,834.19 sq.m..</p> <p>The land use rights of the property have been leased from University of Birmingham to BCFC for a term of 99 years commencing from 1 September 1998.</p> <p>The annual rent payable for the property is GBP84,000 which is subject to review and additional rent.</p>	<p>The property is occupied by BCFC for training purpose.</p>	<p>3,170,000 (GREAT BRITAIN POUND THREE MILLION ONE HUNDRED SEVENTY THOUSAND)</p>

Notes:

- i) According to land registry record Title No. WR56688, the registered owner of the property is BCFC (Company Registration No. 27318).
- ii) According to land registry record Title No. WR56688, BCFC leased the property from the University of Birmingham for a term of 99 years commencing from 1 September 1998 at an annual rent of GBP84,000 which is subject to review and additional rent.
- iii) We have prepared our valuation based on the following assumptions:
 - a) BCFC is in possession of a proper legal title to the property and is entitled to transfer the property at no extra land premium or other onerous payment payable to the government;
 - b) All land premium and other costs of ancillary utilities services have been settled in full;
 - c) The property is not subject to mortgage or any other material encumbrances;
 - d) The design, construction and uses of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - e) The property may be disposed of freely to both local and overseas purchasers.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were otherwise required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity and nature of interest	Number of underlying Shares (Note i)	Approximate percentage of the total issued Shares
Mr. Zhao Wenqing	Beneficial owner (Note ii)	66,804,124 (L)	0.38%
Mr. Huang Dongfeng	Beneficial owner (Note ii)	66,804,124 (L)	0.38%

Notes:

- (i) “L” denotes long position.
- (ii) 60,000,000 share options were granted to each of Mr. Zhao Wenqing and Mr. Huang Dongfeng on 6 December 2018 pursuant to the share option scheme adopted by the Company on 30 December 2016 which was adjusted to 66,804,124 share options as a result of the completion of the rights issue of the Company on 23 April 2019. Therefore, under Part XV of the SFO, Mr. Zhao Wenqing and Mr. Huang Dongfeng are taken to be interested in the underlying shares that they are entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or in the shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was taken or deemed to have under such provisions of the SFO); or were otherwise required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. 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 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	5,425,000,000	(ii)	30.63%
Wealthy Associates International Limited	Interest of controlled corporation	5,425,000,000	(ii)	30.63%
Mr. Suen Cho Hung, Paul	Interest of controlled corporation	5,425,000,000	(ii)	30.63%
Ever Depot	Beneficial owner	4,539,161,000	(iii)	25.63%
GRED	Interest of controlled corporation	4,539,161,000	(iii)	25.63%
Mr. Vong Pech	Interest of controlled corporation	4,539,161,000	(iii)	25.63%
Dragon Villa Limited	Beneficial owner	3,294,366,000	(iv)	18.60%
Mr. Lei Sutong	Interest of controlled corporation	3,294,366,000	(iv)	18.60%

Notes:

- (i) All the above interests in the Shares 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 5,425,000,000 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 4,539,161,000 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 3,294,366,000 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 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.

As at the Latest Practicable Date, Mr. Sue Ka Lok, a non-executive Director, was a director of Trillion Trophy Asia Limited, which was interested in the 5,425,000,000 Shares, representing approximately 30.63% of the total issued share capital of the Company.

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

4. 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 2020, 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.

5. 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).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2020, the date to which the latest published audited financial statements of the Company were made up.

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

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. EXPERTS AND CONSENTS

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

Name	Qualification
Giraffe Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
JP Assets Consultancy Limited	An independent valuer

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did any of them have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Group were made up (i.e. 30 June 2020), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

The letter and advice from the Independent Financial Adviser and the property valuation report from the Independent Valuer are given as of the date of this circular for incorporation herein.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yam Pui Hung Robert. Mr. Yam holds a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as City University of Hong Kong). Mr. Yam is a fellow of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Yam has extensive experience in accounting, financial management, corporate finance and company secretarial practice.
- (b) The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is at 31/F., Vertical Sq, No. 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

11. 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 Sale and Purchase Agreement;
- (c) the Shareholders' Agreement;
- (d) the Deed of Variation;
- (e) the Varied Lease Agreement;
- (f) the letter from the Board, the text of which is set out on pages 6 to 27 to this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 63 of this circular;
- (i) the property valuation report prepared by the Independent Valuer as set out in Appendix I to this circular;
- (j) written consent referred to in the paragraph headed "9. Experts and Consents" in this appendix; and
- (k) 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 Unit 1603-1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Tuesday, 8 December 2020 at 10:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following ordinary resolution:

ORDINARY RESOLUTION

1. **“THAT**

- (i) the conditional sale and purchase agreement dated 9 October 2020 entered into between the Company as vendor and Oriental Rainbow Investments Limited (the “Purchaser”) as the purchaser (“Sale and Purchase Agreement”, a copy of which marked “A” has been produced to the meeting and signed by the chairperson of the meeting for the purpose of identification) in relation to, among others, the disposal of shares of Birmingham City PLC (“BCP”, together with its subsidiaries, the “BCP Group”) and Birmingham City Stadium Ltd (“BCSL”) and assignment of the shareholder’s loan due and owing from BCP to the Company as at the date of completion of the Sale and Purchase Agreement upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder (the “Disposal”) be and are hereby approved, ratified and confirmed;
- (ii) the conditional shareholders’ agreement dated 9 October 2020 entered into between the Company and the Purchaser in relation to their respective rights and obligations in BCP Group (“Shareholders’ Agreement”, a copy of which marked “B” has been produced to the meeting and signed by the chairperson of the meeting for the purpose of identification) upon and subject to the terms and conditions as set out therein and the transactions and the proposed annual caps contemplated thereunder be and are hereby approved, ratified and confirmed;

EGM NOTICE

- (iii) the entering into of the deed of variation among the Company and its subsidiaries Birmingham City Football Club PLC (“BCFC”) and BCSL (“Deed of Variation”) to vary certain terms of the lease agreement entered into among the Company (as guarantor), BCSL (as landlord) and BCFC (as tenant) dated 31 May 2019 (“Lease Agreement”) upon completion of the Disposal and the transactions contemplated thereunder be and are hereby approved;
- (iv) the entering into of the lease agreement by BCSL (as the landlord) and BCFC (as the tenant) as varied by the Deed of Variation (“Varied Lease Agreement”, together with the Sale and Purchase Agreement, Shareholders’ Agreement and the Deed of Variation, collectively the “Transaction Documents”) upon completion of the Disposal and the transactions and proposed annual caps contemplated thereunder be and are hereby approved; and
- (v) any one director of the Company (“Director(s)”, or if execution under the common seal of the Company is required, any two Directors) be and is (are) hereby authorised for and on behalf of the Company to sign, seal, execute, perfect and deliver all such agreements, documents, instruments and deeds and to do all such acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with implementing, completing and giving effect to the Transaction Documents and the transactions contemplated thereunder (including but not limited to the entering into of the Deed of Variation and the Varied Lease Agreement) and to agree to such variations to the terms of the Sale and Purchase Agreement and the Shareholders’ Agreement as he/she may in his/her absolute discretion consider to be necessary or desirable.”

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

Hong Kong, 17 November 2020

Notes:

- (1) In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 1 December 2020.
- (2) Any member of the Company entitled to attend and vote at a meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company. A proxy need not be a member of the Company.
- (3) Where there are joint registered holders of any Share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders shall be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

EGM NOTICE

- (4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting, and in default the form of proxy shall not be treated as valid. The completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting (or at any adjournment thereof) should they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) All resolutions set out in this notice will be decided by poll at the meeting.
- (6) In the event of any inconsistency, the English text of this notice shall prevail over the Chinese text.
- (7) In line with the prevailing practices and guidelines on the prevention of coronavirus ("COVID-19"), depending on the development of COVID-19, special precautionary measures will be implemented by the Company at the EGM, which may include without limitation the following:
- (i) compulsory body temperature checks;
 - (ii) mandatory use of self-prepared surgical face masks at all times during the attendance of the meeting;
 - (iii) mandatory health declaration;
 - (iv) no refreshments will be provided to the attendees; and
 - (v) other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the EGM as may be necessary to avoid over-crowding.

Please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the EGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM. Should any attendee refuse to comply with any of the abovementioned measures, the Company reserves the right to deny access of such attendee to the meeting venue.

In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the EGM, the Company strongly encourages the Shareholders to exercise their right to appoint the chairperson of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures as appropriate.

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