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**BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED**  
**伯明翰環球控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

**VERY SUBSTANTIAL ACQUISITION, CONNECTED AND CONTINUING  
CONNECTED TRANSACTION  
REGARDING THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED  
SHARE CAPITAL OF THE TARGET COMPANY  
AND  
RESUMPTION OF TRADING**

**Financial Advisor to the Company**



**KINGSTON CORPORATE FINANCE LTD.**

**THE AGREEMENT**

The Board announces that on 4 January 2011 (after trading hours), the Purchaser, the Vendor and the Guarantors entered into the Agreement pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at an aggregate consideration of not less than RMB430,947,000 (approximately HK\$502,053,255) but not more than RMB1,332,018,000 (approximately HK\$1,551,800,970, subject to adjustment. The Consideration shall be satisfied in cash as to RMB155,000,000 (approximately HK\$180,575,000) and by the Purchaser procuring the allotment and issue of the 1,607,391,275 Convertible Preference Shares by the Company, representing the balance of Consideration of RMB275,947,000 (approximately HK\$321,478,255) upon Completion.

Pursuant to the Agreement, if the Vendor has procured the land use rights in respect of the Property be changed to commercial and residential use on or before the Relevant Period, the Vendor shall be entitled to the Adjustment Amount which shall be satisfied by the Purchaser procuring the allotment and issue of up to 5,248,738,575 additional Convertible Preference Shares.

Upon Completion, the Purchaser will enter into the Management Agreement with Mr. Yeung whereby the Purchaser will appoint Mr. Yeung or his designated entity to provide to the Purchaser the management services in respect of the development, sale and management of the Property.

## **LISTING RULES IMPLICATION**

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. As the Vendor is wholly-owned by Mr. Yeung, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

As Mr. Yeung is a connected person of the Company under Chapter 14A of the Listing Rules and the annual amount of the transaction contemplated under the Management Agreement will exceed the 25% threshold as provided in Rule 14A.34 of the Listing Rules and the total annual consideration exceeds HK\$10,000,000, the entering into of the Management Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Accordingly, the transaction contemplated under the Management Agreement is subject to the Independent Shareholders' approval at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Acquisition, the Management Agreement and the annual caps under the Management Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Management Agreement and the annual caps under the Management Agreement.

A circular containing, among other things, (a) further details of the Acquisition, the Management Agreement and the annual caps under the Management Agreement; (b) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition, the Management Agreement and the annual caps under the Management Agreement; and (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice to them in respect of the Acquisition, the Management Agreement and the annual caps under the Management Agreement is expected to be despatched to the Shareholders within 15 Business Days after the date of this announcement.

**Shareholders and investors should note that the Agreement is subject to various conditions as stated in the section headed "Conditions precedent" herein and therefore the Acquisition may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 5 January 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2011.

## **THE AGREEMENT**

### **Date:**

4 January 2011

### **Parties:**

- (1) Golden Abaccus Limited, a wholly-owned subsidiary of the Company as Purchaser;
- (2) Captain Wealth Limited, an investment holding company incorporated in the BVI with limited liability, as Vendor;
- (3) Mr. Yeung Ka Sing, Carson, an executive Director, a guarantor to the Vendor; and
- (4) Guarantors.

Under the Agreement, Mr. Yeung and the Guarantors guarantee to the Purchaser the due performance of the Vendor under the Agreement in all material respects and to give the warranties set out in the Agreement in respect of the Target Group and the Property.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, the Vendor is principally engaged in investment holding and is wholly and beneficially owned by Mr. Yeung.

There was no prior transaction between the Company and the Vendor and its associates in the past 12 months prior to the date of the Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

### **Assets to be acquired**

Sale Shares, representing the entire issued share capital of the Target Company.

## Consideration and payment terms

The Consideration of not less than RMB430,947,000 (approximately HK\$502,053,255) but not more than RMB1,332,018,000 (approximately HK\$1,551,800,970, subject to adjustment, was arrived at after arms' length negotiations among the parties to the Agreement on normal commercial terms.

The Consideration was determined after taking into account: (a) the draft valuation report to be issued by an independent professional valuer appointed by the Purchaser showing that the fair market value of 100% interest in the Property in its existing status as at 31 December 2010 using the market approach and assuming that the land use rights in respect of the Property has been changed to industrial use, and commercial and residential use, being not less than RMB490,000,000 (approximately HK\$570,850,000) and RMB1,580,000,000 (approximately HK\$1,840,700,000), respectively; and (b) the potential growth of the property market in Liaoning Province, PRC; (c) the benefits of entering into of the Management Agreement as set out in the section headed "Reasons for and Benefits of entering into of the Management Agreement" below; and (d) the benefits of the Acquisition set out in the section headed "Reasons for and Benefits of the Acquisition" below.

In view of the above, the Directors (excluding the independent non-executive Directors who will express their views after having considered the advice from the independent financial adviser) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration shall be satisfied by the Purchaser in the following manner:

- (a) a refundable deposit in the sum of RMB30,000,000 (approximately HK\$34,950,000) being paid in cash to the Vendor or its nominee within five Business Days after satisfaction of condition (a) under the section headed "Conditions precedent" in this announcement;
- (b) a further refundable deposit in the sum of RMB30,000,000 (approximately HK\$34,950,000) being paid in cash to the Vendor or its nominee within five Business Days after satisfaction of conditions (a) and (c)(i) under the section headed "Conditions precedent" in this announcement;
- (c) a sum of RMB95,000,000 (approximately HK\$110,675,000) being paid in cash to the Vendor or its nominee upon Completion; and
- (d) not less than RMB275,947,000 (approximately HK\$321,478,255) by the allotment and issue of not less than 1,607,391,275 Convertible Preference Shares with a principal value of HK\$321,478,255 to the Vendor or its nominee credited as fully paid at the Issue Price at Completion by the Company and, if the Adjustment Amount (as defined in the section headed "Consideration Adjustment" below) is payable, an additional sum of RMB901,071,000 (approximately HK\$1,049,747,715) by the allotment and issue of up to 5,248,738,575 additional Convertible Preference Shares with a principal value of HK\$1,049,747,715; provided, however, that (a) the aggregate number of the Shares held by the Vendor and its concert parties (as defined under the Code) which when aggregate together with their existing Shares held shall not exceed 29.90% of the issued share capital of the Company from time to time; and (b) the public float of the Shares shall not be less than 25% (or any given percentage as required by

the Listing Rules) of the total issued Shares from time to time. The principal value of the Convertible Preference Shares shall therefore be not less than HK\$321,478,255 but not more than HK\$1,371,225,970, subject to the Adjustment Amount.

### **Conditions precedent**

Completion is subject to each of the following conditions being satisfied in all respects:

- (a) the passing by the Independent Shareholders of a resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the payment of the Refundable Deposit, the allotment and issue of the Convertible Preference Shares and the Conversion Shares, the entering into of the Management Agreement and the annual caps under the Management Agreement at the EGM in accordance with the Listing Rules;
- (b) the Purchaser undertaking a due diligence investigation in respect of the Target Group including but not limited to the business, assets, results, legal and financing structure of the Target Group and the Purchaser being in its absolute discretion satisfied with the results of such due diligence investigation;
- (c) receipt by the Purchaser of a legal opinion in form and substance satisfactory to the Purchaser by a practising lawyer in the PRC appointed by the Purchaser confirming, inter alia, the following:
  - (i) HK Co. is the legal and beneficial owner of 90% equity interest in PRC Co. and the approval certificate in respect of the establishment of a sino-foreign equity joint venture company in the PRC has been obtained;
  - (ii) PRC Co. is the legal and beneficial owner of the entire interest of the Property;
  - (iii) all the necessary certificates, licences, permits, and consents in respect of the PRC Co.'s business operations in the PRC have been obtained including but not limited to all the necessary certificates, licences, permits, and consents issued by relevant regulatory bodies in the PRC including the State Administration for Foreign Exchange, State Administration for Industry and Commerce and the Ministry of Commerce (if applicable);
  - (iv) PRC Co. has legally obtained the stated-owned land use rights certificate and construction land planning licence for the construction and development of the Property;
  - (v) all the procedures relating to site clearance and demolition and removal of all subsisting buildings and structures from the Property have been made in compliance with the PRC law; all land use rights premium, compensation payable to relocation and/or evacuation of owners, residents or occupiers from the Property have been fully and duly paid by the Vendor; and
  - (vi) any other matters to be included upon request by the Purchaser.

- (d) receipt by the Purchaser of a legal opinion in form and substance satisfactory to the Purchaser by a practising lawyer in Hong Kong appointed by the Purchaser confirming that the Target Company is the legal and beneficial owner of the entire issued share capital of HK Co.;
- (e) receipt by the Purchaser at its own expense to its satisfaction and in its sole discretion of a valuation report issued by an independent professional valuer appointed by the Purchaser showing that the fair market value of 100% interest in the Property as at 31 December 2010 using the market approach and for industrial use being not less than RMB490,000,000 (approximately HK\$570,850,000). Fair market value means the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties on an arm's length transaction;
- (f) the entering into of the Management Agreement between the Purchaser and Mr. Yeung whereby the Purchaser will appoint Mr. Yeung or his designated entity (i.e. the Management Co.) to provide to the Purchaser the management services in respect of development, sale and management of the Property on an exclusive basis. The Management Agreement shall include, inter alia, the following terms and conditions:
  - (i) It shall become effective as of the date of Completion;
  - (ii) It shall be for a term of 3 years with an option to renew in sole discretion of the Purchaser;
  - (iii) Management Co. shall not terminate the Management Agreement during its term and the Purchaser may terminate it by serving at least one (1) month's prior written notice to Management Co.;
  - (iv) The Purchaser shall use its best endeavours to raise fund to finance all costs and expenses to be incurred for the development of the Property;
  - (v) The Purchaser shall pay to the Management Co. an annual management fee equivalent to construction costs and selling costs (if any) of the Property;
  - (vi) The Purchaser shall have the right to appoint not less than two (2) persons as directors of Management Co.; and
  - (vii) It shall contain an assignment clause whereby the Purchaser may assign all its rights and obligations under the Management Agreement to its wholly-owned subsidiary.

- (g) all Consents of the Stock Exchange and the Securities and Futures Commission (if necessary) and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC, the BVI and the Cayman Islands or elsewhere which are required or appropriate for the entering into and the implementation of the Agreement having been given or made; and all applicable statutory or other legal obligations having been complied with;
- (h) no event having occurred since the date hereof to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused;
- (i) the warranties in the Agreement remaining true, accurate and correct in all material respects; and
- (j) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares.

If the above conditions have not been fulfilled (or as the case may be, waived by the Purchaser other than conditions (a), (c), (d), (e), (g) and (j)) on or before 5:00 p.m. on the Long Stop Date (or such later date as the Vendor and the Purchaser may agree in writing) or following the fulfilment of the conditions, the Vendor or the Purchaser shall fail to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the Agreement and the Purchaser gives notice to terminate the Agreement, the Agreement shall thereupon terminate and the Vendor shall return, and Mr. Yeung and the Guarantor shall procure the Vendor to return, the Refundable Deposit to the Purchaser. Neither party shall thereafter have further claims against the other under the Agreement for costs, damages compensation or otherwise, save for antecedent breaches.

## **Completion**

Completion of the Agreement will take place within 3 Business Days after the fulfilment of the last of the conditions precedent or at such other time as the parties may agree.

After Completion, the Target Company will become a wholly-owned subsidiary of the Company. The Target Company will be the legal and beneficial owner of the entire issued share capital of HK Co. which owns 90% equity interest in PRC Co. The financial statements of the Target Group will be consolidated in the accounts of the Group after Completion.

## Convertible Preference Shares

The principal terms of Convertible Preference Shares to be issued by the Company are set out as follows:

|   |   |
|---|---|
| Issuer:   | the Company   |
| Principal value:  | not less than HK\$321,478,255 but not more than HK\$1,371,225,970   |
| Par value:  | HK\$0.01  |
| Issue Price:  | HK\$0.20  |
| Conversion Price:   | The initial conversion price of HK\$0.20 (subject to the adjustments for subdivision or consolidation of Shares, rights issue, dividend payments and distribution in species and other usual dilutive event) for each Convertible Preference Share  |
| Number of Convertible Preference Shares:  | not less than 1,607,391,275 but not more than 6,856,129,850 Convertible Preference Shares in an aggregate principal amount of not less than HK\$321,478,255 but not more than HK\$1,371,225,970 at the issue price of HK\$0.20 for each Convertible Preference Share  |
| Number of Conversion Shares to be issued upon exercise of the conversion rights attaching to Convertible Preference Shares in full: | not less than 1,607,391,275 but not more than 6,856,129,850 Conversion Shares (subject to the adjustments to the conversion price and ratio in accordance with the terms of the Convertible Preference Shares)  |
| Conversion period:  | Perpetual as from the date of issue of the Convertible Preference Shares  |
| Conversion rate:  | The number of Conversion Shares to which a holder thereof shall be entitled is determined by multiplying the conversion rate then in effect by the number of Convertible Preference Shares being converted. The conversion rate of each Convertible Preference Share shall be determined by dividing the Issue Price of each Convertible Preference Share by the Conversion Price (which shall initially be at the rate of 1:1) |



|                          |   |
|--------------------------|---|
| Conversion restrictions: | The holder(s) of the Convertible Preference Shares shall have the preference right to convert the Convertible Preference Shares, at any time, into Shares as determined by the effective conversion rate (as detailed in the section headed “Conversion rate” above) provided that (i) the number of Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares (if applicable, including any Shares acquired by the parties acting in concert with the holder(s) of the Convertible Preference Shares), in aggregate with the Shares as held by the Vendor its concert parties (as defined under the Code), represents not more than 29.90% of the issued ordinary share capital of the Company on a fully diluted basis and will not trigger a mandatory offer obligation under Rule 26 of the Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the Shares at any time in compliance with the Listing Rules |
| Redemption:              | The Convertible Preference Shares are non-redeemable  |
| Ranking:                 | The Convertible Preference Shares will rank pari passu to any and all current or future preferred equity securities of the Company  |
| Dividend:                | Holders of the Convertible Preference Shares shall be entitled to the dividends declared by the Company, if any, that would be paid with respect to the ordinary shares of the Company on an “as converted” basis   |
| Transferability:         | The Convertible Preference Shares can only be transferred with the consent of the Company but no Convertible Preference Share can be transferred to connected persons (as defined under the Listing Rules) of the Company   |
| Voting Rights:           | Holders of Convertible Preference Shares have no voting right   |
| Rights in Liquidation:   | Holders of Convertible Preference Shares shall rank in priority to the Shares and any other class of shares as to return of capital   |
| Listing:                 | No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares (if any) to be issued as a result of the exercise of the conversion rights attached to the Convertible Preference Shares.   |

The minimum of 1,607,391,275 Conversion Shares to be allotted and issued upon full conversion of the 1,607,391,275 Convertible Preference Shares based on the Issue Price representing (i) approximately 50.42% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 33.52% of the issued share capital of the Company as enlarged by allotment and issue of such number of Conversion Shares, assuming full conversion of the 1,607,391,275 Convertible Preference Shares.

The maximum of 6,856,129,850 Conversion Shares to be allotted and issued upon full conversion of the 6,856,129,850 Convertible Preference Shares based on the Issue Price representing (i) approximately 215.08% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 68.26% of the issued share capital of the Company as enlarged by allotment and issue of such number of Conversion Shares, assuming full conversion of the 6,856,129,850 Convertible Preference Shares.

The Convertible Preference Shares and the Conversion Shares will be issued under a specific mandate to be sought from the Independent Shareholders at the EGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Conversion Shares.

### **Consideration Adjustment**

Pursuant to the Agreement, if the Vendor has procured the land use rights in respect of the Property be changed to commercial and residential use on or before the Relevant Period, the Vendor shall be entitled to the sum calculated as follows (the “**Adjustment Amount**”):

$$\text{Adjustment Amount} = A \times B$$

whereas

A = RMB544.73 (approximately HK\$634.61)

B = the square meters of the relevant gross floor area of the Property having been legally changed to commercial and residential use

The Adjustment Amount shall be paid by the Company allotting and issuing such additional Convertible Preference Shares representing the Adjustment Amount up to a maximum of RMB901,071,000 (approximately HK\$1,049,747,715) within 7 days after receipt by the Purchaser of a legal opinion in form and substance satisfactory to the Purchaser by a practising lawyer in the PRC appointed by the Purchaser confirming, *inter alia*, that the Target Group has legally obtained a stated-owned land use rights certificate showing that the relevant gross floor area of the Property has been changed to commercial and residential use on or before the Relevant Period and the relevant land premium and other associated costs have been paid. The land premium payable to the relevant government authority in respect of the change of the land use rights in respect of the Property to commercial and residential use shall be borne by the Vendor.

The sum of RMB544.73 (approximately HK\$634.61) represents the difference in the amount of consideration payable if the land use rights of the Property has been legally changed from industrial use to commercial and residential use. Such sum is determined with reference to various factors, namely (a) a discount of approximately 15.7% to the amount shown in the draft valuation report prepared by an independent professional valuer appointed by the Purchaser showing that the fair market value of 100% interest in the Property for commercial and residential use being not less than RMB1,580,000,000 (approximately HK\$1,840,700,000); (b) an arm's length agreement among the parties to the Agreement; and (c) all the commercial terms comprising the Agreement.

### **Issue Price and Conversion Price**

The Issue Price and Conversion Price of HK\$0.20 for each Convertible Preference Share was determined after arm's length negotiations between the Purchaser and the Vendor, representing:

- (a) a premium of approximately 1.5% to the closing price of HK\$0.197 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 1.5% to the average closing price of approximately HK\$0.197 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 4.16% to the average closing price of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

### **Application for Listing**

No application will be made by the Company to the Listing Committee for the listing of the Convertible Preference Shares.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued pursuant to the Agreement and upon the exercise of the conversion rights attaching to the Convertible Preference Shares.

### **INFORMATION ON THE TARGET COMPANY, HK CO. AND PRC CO.**

The Target Company is an investment holding company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Yeung, an executive Director. Pursuant to the acquisition agreement dated 8 March 2010 entered into between Mr. Yeung and the Guarantors, being the existing legal and beneficial shareholders of the PRC Co. (as supplemented by the supplemental agreement dated 15 January 2011) (the "**Acquisition Agreement**"),

Mr. Yeung has agreed to procure its designated entity to acquire 90% equity interest in the registered capital of the PRC Co. at a consideration of RMB417,888,000 (approximately HK\$486,839,520) in order to establish a sino-foreign equity joint venture company in the PRC to hold the Property. It has been agreed between Mr. Yeung and the Guarantors that if the land use rights in respect of the Property has been changed to commercial and residential use on or before the Relevant Period, Mr. Yeung shall pay to the Guarantors an additional sum of up to RMB861,894,000 (approximately HK\$1,004,106,510). The Board is of the view that it is fair and reasonable for the Company to pay the difference in the consideration to Mr. Yeung given that Mr. Yeung has expended significant amount of time and costs in negotiating and concluding the terms and conditions of the Acquisition Agreement with the Guarantors.

Save and except the Acquisition Agreement, no other agreements were signed by the Vendor, Mr. Yeung and the PRC Co. as at the date of this announcement.

The Target Company is a company incorporated in the BVI and has not commenced business since the date of its incorporation on 22 September 2010. The Target Company has no turnover, net profit before or after taxation since the date of its incorporation and no significant assets and liabilities as at the date of this announcement.

HK Co. is a company incorporated in Hong Kong and has not commenced business since the date of its incorporation on 9 December 2010. HK Co. has no turnover, net profit before or after taxation since the date of its incorporation and no significant assets and liabilities as at the date of this announcement. Upon Completion, HK Co. will be owned as to 100% by the Target Company.

PRC Co. is a company incorporated in the PRC on 1 September 2009 with registered and fully paid-up capital of RMB20,000,000. As at the date of this announcement, PRC Co. is legally and beneficially wholly-owned by the Guarantor, all of them are Independent Third Party and are principally engaged in the development, construction and sale of properties in the PRC. PRC Co. is the sole legal and beneficial owner of the Property as at the date of the Agreement. Upon Completion, PRC Co. will be owned as to 90% by HK Co. and as to 10% by the Guarantors.

The following is the financial information of the PRC Co. for the period from 1 September 2009 (being the date of its incorporation) to 30 November 2010 (unaudited) which is extracted from the unaudited financial statements and management accounts of the PRC Co.:

|  | <i>RMB</i>    |
|--|---------------|
| <b>Turnover</b>                          | 0             |
| <b>Net profit (loss) before taxation</b> | (341,312.92)  |
| <b>Net profit (loss) after taxation</b>  | (341,312.92)  |
| <b>Net assets</b>                        | 19,658,687.08 |

Given that: (1) Mr. Yeung has already entered into the Acquisition Agreement to acquire 90% equity interest in the registered capital of the PRC Co.; (2) the Company has no expertise on development and construction of the properties in the PRC; and (3) the Management Agreement will only be signed if PRC Co. is to be acquired through the Vendor, the Board is of the view that the Company can only acquire PRC Co. from the Vendor, and not directly from the Guarantors.

## **INFORMATION ON THE PROPERTY**

The Property is a parcel of bare development land located at Liaobin Economic Zone, Panjin City, Liaoning Province, PRC (中國遼寧省盤錦市遼濱經濟區). The site, with an area of approximately 967,338 square meters, is being developed into multi-storey industrial buildings with a total gross floor area of approximately 1,654,148 square meters. PRC Co. is in the process of obtaining the State-owned Land Use Rights Certificate for the use of the Property for industrial purpose. The State-owned Land Use Rights Certificate in respect of the Property with an area of approximately 272,668 square meters for industrial use is expected to be obtained by the end of April 2011 and the State-owned Land Use Rights Certificate in respect of the entire area of the Property for commercial and residential use is expected to be obtained by the end of December 2011. Given that there is a possibility that the State-owned Land Use Rights Certificate in respect of the entire area of the Property for industrial use could be obtained on or before the Long Stop Date, in order to proceed with the Acquisition as soon as practicable, the Board considers that it would be beneficial to the Company if the Long Stop Date is to be on or before 30 June 2011. In the event that the State-owned Land Use Rights in respect of the entire area of the Property for industrial use cannot be obtained on or before the Long Stop Date, the Purchaser may further negotiate with the Vendor to extend the Long Stop Date to such other later date as may be agreed between the Purchaser and the Vendor pursuant to the Agreement.

Under the Agreement, the Vendor shall be entitled to the Adjustment Amount if the Vendor has procured the land use rights in respect of the Property be legally changed to commercial and residential use on or before the Relevant Period as more ancillary commercial and residential facilities can be built on the Property for commercial and residential use and as such, the fair market value of the Property will increase accordingly. The Adjustment Amount, if payable, shall be finalised on or before the Relevant Period (i.e. 1-year after the date of the Agreement). If the land use rights in respect of the Property cannot be changed to commercial and residential use on or before the Relevant Period, the Vendor shall not be entitled to the Adjustment Amount.

The Property will be developed in various phases. The gross floor area of each phase of the development is approximately 200,000 square meters. Construction work of the phase 1 of the Property is expected to start in June 2011 upon the issuance of the construction works planning permit《建設工程規劃許可證》and the works commencement permit《施工許可證》for the construction and development of the Property.

The estimated construction cost (excluding the land acquisition cost) for phase 1 development of the Property is approximately HK\$350 million and the entire development of the Property is expected to be completed in 6-8 years with approximately 200,000-250,000 square meters in gross floor area to be completed in each year. The source of funding for the construction and development of the Property will be financed from the internal resources of the Group, contractors' financings, pre-sale proceeds and the proceeds from the fund-raising activities to be conducted by the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company is an investment holding company. The Group is principally engaged in operating a Premier League football club, apparel sourcing, apparel trading, provision of entertainment services. To diversify the business of the Group, the Company has been seeking various investment opportunities and exploring investment opportunities with sports-related concepts, which include development of property in the PRC, development of community with unique British style and life culture, and development of integrated property project by injecting British high and new industrial, educational and sports (including but not limited to football) elements under the brand "Birmingham".

Having taken into account (i) the fair market value of 100% interest in the Property for industrial use being not less than RMB490,000,000 (approximately HK\$570,850,000) and for commercial and residential use being not less than RMB1,580,000,000 (approximately HK\$1,840,700,000); and (ii) the potential growth of the property market in Liaoning Province, PRC; and (iii) the benefits of entering into of the Management Agreement which enables the Group to outsource the works of development, construction and sale of the Property to the Management Co., the Board is of the opinion that the Acquisition provides a good opportunity for the Company to participate in the property market in the PRC, which in turn will not only enable the Group to diversify its businesses, but will also broaden the Group's revenue base which would have a positive impact on the profitability of the Company. Following completion of the Acquisition, the Company will continue with its existing business. As at the date of this announcement, the Company and the Board have not reached any agreement, arrangement, understanding, intention, negotiations (concluded or otherwise) in respect of any disposal, termination, scaling-down of the existing businesses.

The Directors (excluding the independent non-executive Directors who will express their views after having considered the advice from the independent financial adviser) are of the view that the Agreement and the transactions contemplated therein are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

## EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company: (a) as at the date of this announcement; and (b) upon exercise the conversion rights attaching to the Convertible Preference Shares up to 29.90% of the issued share capital of the Company; and (c) for illustration purpose only, upon exercise the conversion rights attaching to the Convertible Preference Shares in full are set out as follows:

|   | As at the date of this announcement |               | Upon exercise the conversion rights attaching to the Convertible Preference Shares up to 29.90% of the issued share capital of the Company (Note 4) |               | For illustration purpose only, upon exercise the conversion rights attaching to the Convertible Preference Shares in full (Note 4) |               |
|---|-------------------------------------|---------------|---|---------------|--|---------------|
|   | No. of Shares                       | %             | No. of Shares   | %             | No. of Shares  | %             |
| <b>Shareholders</b>                       |                                     |               |   |               |  |               |
| Mr. Yeung and its associates              |                                     |               |   |               |  |               |
| — Great Luck Management Limited (Note 1)  | 405,469,066                         | 12.72         | 405,469,066   | 10.95         | 405,469,066  | 4.04          |
| — Mr. Yeung                               | 185,452,800                         | 5.82          | 185,452,800   | 5.00          | 185,452,800  | 1.85          |
| — Vendor (Note 3)                         | 0                                   | 0             | 516,713,838   | 13.95         | 6,856,129,850  | 68.26         |
| <b>Sub-total</b>                          | <b>590,921,866</b>                  | <b>18.54</b>  | <b>1,107,635,704</b>  | <b>29.90</b>  | <b>7,447,051,716</b>   | <b>74.15</b>  |
| Premier Rise Investments Limited (Note 2) | 163,800,000                         | 5.14          | 163,800,000   | 4.42          | 163,800,000  | 1.63          |
| Mr. Liu Xingcheng                         | 453,237,000                         | 14.22         | 453,237,000   | 12.23         | 453,237,000  | 4.51          |
| <b>Public</b>                             |                                     |               |   |               |  |               |
| Other public Shareholders                 | 1,979,794,534                       | 62.10         | 1,979,794,534   | 53.45         | 1,979,794,534  | 19.71         |
| <b>Total</b>                              | <b>3,187,753,400</b>                | <b>100.00</b> | <b>3,704,467,238</b>  | <b>100.00</b> | <b>10,043,883,250</b>  | <b>100.00</b> |

### Notes:

1. Great Luck Management Limited is a company incorporated in the BVI and wholly-owned by Mr. Yeung, an executive Director.
2. Premier Rise Investments Limited is a company incorporated in the BVI and wholly-owned by Mr. Hui Ho Luek, Vico, an executive Director.
3. The Vendor is wholly and beneficially owned by Mr. Yeung, an executive Director.

4. There is a term in the Agreement that (a) the aggregate number of the Shares held by the Vendor and its concert parties (as defined under the Code) which when aggregate together with their existing Shares held shall not exceed 29.90% of the issued share capital of the Company from time to time; and (b) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the total issued Shares from time to time.

### **Management Agreement**

Upon Completion, the Purchaser and Mr. Yeung will enter into the Management Agreement. The principal terms and conditions of which are as follows:

- Parties:** The Purchaser and Mr. Yeung
- Services:** Pursuant to the Management Agreement, the Purchaser will appoint Mr. Yeung or his designated entity to provide to the Purchaser the management services in respect of development, sale and management of the Property on an exclusive basis
- Term:** Subject to approval from Independent Shareholders, the Management Agreement shall become effective upon Completion and shall continue in existence until 30 June 2013, unless terminated pursuant to the terms of the Management Agreement or by not less than 1 month's notice in writing served by the Purchaser
- Management Fee:** The Management Co. shall only be entitled to the annual management fee if the Purchaser has after-tax profits during the relevant financial years as to be shown in its audited accounts to be prepared by a firm of certified public accountants in Hong Kong acceptable to the Purchaser. The annual management fee shall be determined with reference to the building costs and selling prices (if any) of the Property. The Management Fee was arrived at after arm's length negotiations, be comparable to those offered to independent third parties and be on terms comparable to the prevailing market rate and practice
- Other terms:** The Purchaser shall use its best endeavours to raise fund to finance all costs and expenses to be incurred for the development of the Property.
- The Purchaser shall have the right to appoint not less than two (2) persons as directors of Management Co.
- The Management Agreement shall contain an assignment clause whereby the Purchaser may assign all its rights and obligations under the Management Agreement to its wholly-owned subsidiary.



## Annual Caps

For the purpose of Rule 14A.35(2) of the Listing Rules, the Directors propose that the aggregate amount of the Management Fee to be paid by the Purchaser to the Management Co. under the Management Agreement during the relevant financial years shall not exceed the annual caps set out below:

| <b>From the date of the Agreement up to and including 30 June 2011</b><br><i>(HK\$ million)</i> | <b>Year ending 30 June 2012</b><br><i>(HK\$ million)</i> | <b>Year ending 30 June 2013</b><br><i>(HK\$ million)</i> |
|---|--|--|
| <u>0</u>  | <u>24,000,000</u>  | <u>35,000,000</u>  |

The annual caps are determined by arms' length negotiations between the Purchaser and Mr. Yeung primarily by reference to: (a) the estimated building costs and selling prices in respect of constructing, developing and selling of the Property during the relevant financial years; (b) the results of the discussions between the Purchaser and Mr. Yeung with respect to the estimated potential proceeds to be generated from the sale of the Property in the coming years.

## REASONS FOR AND BENEFITS OF ENTERING INTO OF THE MANAGEMENT AGREEMENT

Mr. Yeung has extensive experience in property investments in the PRC and possesses requisite knowledge, skills and personal networks in developing, constructing and selling properties in the PRC. Mr. Yeung has a team of experts who have professional knowledge and good working relationship with local government authorities in constructing, developing and selling of the properties in the PRC. Mr. Yeung also has good understanding of the property market in Liaoning Province, PRC. The Board is therefore of the view that the signing of the Management Agreement is an effective outsourcing arrangement which can bring significant benefits to the Group in terms of saving time, operating and administrative costs so as to enable the Group to utilise its resources to focus on the existing business.

The Directors (excluding the independent non-executive Directors who will express their views after having considered the advice from the independent financial adviser) consider that the entering into of the Management Agreement is in the usual and ordinary course of businesses of the Group and the terms of the Management Agreement have been negotiated and will be conducted on an arm's length basis and on normal commercial terms.

The Directors (excluding the independent non-executive directors who will express their views after having considered the advice from the independent financial adviser) are of the view that as far as the Independent Shareholders are concerned, the terms of the Management Agreement and the annual caps under the Management Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Management Agreement, the annual caps under the Management Agreement on terms in compliance with Rules 14A.37 to 14A.41 of the Listing Rules.

## **LISTING RULES IMPLICATION**

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. As the Vendor is wholly-owned by Mr. Yeung, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

As Mr. Yeung is a connected person of the Company under Chapter 14A of the Listing Rules and the annual amount of the transaction contemplated under the Management Agreement will exceed the 25% threshold as provided in Rule 14A.34 of the Listing Rules and the total annual consideration exceeds HK\$10,000,000, the entering into of the Management Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Accordingly, the transaction contemplated under the Management Agreement is subject to the Independent Shareholders' approval at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Acquisition, the Management Agreement and the annual caps under the Management Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Management Agreement and the annual caps under the Management Agreement.

## **GENERAL**

An Independent Board Committee comprising Mr. Chang Kin Man, Mr. Yau Yan Ming, Raymond and Mr. Zhou Han Ping has been formed to advise the Independent Shareholders in respect of the Agreement, the Acquisition contemplated thereunder, the Management Agreement and the annual caps under the Management Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Management Agreement and the annual caps under the Management Agreement.

An EGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including but not limited to the payment of the Refundable Deposit, the allotment and issue of the Convertible Preference Shares, the Conversion Shares, the entering into of the Management Agreement and the annual caps under the Management Agreement in accordance with the Listing Rules.

A circular containing, among other things, (a) further details of the Acquisition, the Management Agreement and the annual caps under the Management Agreement; (b) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition, the Management Agreement and the annual caps under the Management Agreement; and (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice to them in respect of the Acquisition, the Management Agreement and the annual caps under the Management Agreement is expected to be despatched to the Shareholders within 15 Business Days after the date of this announcement.

**Shareholders and investors should note that the Agreement is subject to various conditions as stated in the section headed “Conditions precedent” herein and therefore the Acquisition may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 5 January 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2011.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

|                |   |
|----------------|---|
| “Acquisition”  | the acquisition of the Sale Shares under the Agreement and all the transactions contemplated thereunder   |
| “Agreement”    | the conditional sale and purchase agreement dated 4 January 2011 and entered into among the Purchaser, the Vendor and the Guarantor in respect of the Acquisition |
| “Board”        | the board of directors of the Company   |
| “Business Day” | a day (other than a Saturday) on which banks are open for business in Hong Kong   |
| “BVI”          | the British Virgin Islands  |
| “Code”         | the Hong Kong Code on Takeovers and Mergers   |

|                                 |  |
|---------------------------------|--|
| “Company”                       | Birmingham International Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Main Board of the Stock Exchange  |
| “Completion”                    | completion of the Agreement in accordance with the terms thereof   |
| “Completion Date”               | the third business day after the fulfilment of the last of the conditions precedent set out in the Agreement or such other date as may be agreed in writing between the parties hereto   |
| “Connected Persons”             | has the meaning ascribed thereto in the Listing Rules  |
| “Consent”                       | any licence, consent, approval, authorisation, permission, waiver, order or exemption  |
| “Consideration”                 | not less than RMB430,947,000 (approximately HK\$502,053,255) but not more than RMB1,332,018,000 (approximately HK\$1,551,800,970), subject to adjustment, being the consideration payable by the Purchaser to the Vendor for the Sale Shares under the Agreement   |
| “Conversion Price”              | HK\$0.2 for each Convertible Preference Share  |
| “Conversion Shares”             | the Shares, issued credited as fully paid, to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares   |
| “Convertible Preference Shares” | not less than 1,607,391,275 but not more than 6,856,129,850 unlisted, redeemable and non-voting convertible preference shares of HK\$0.01 each convertible into Shares at a Conversion Price of HK\$0.20 per Convertible Preference Share, issued credited as fully paid, and having the rights and benefits and subject to the restrictions set out in the section headed “Convertible Preference Shares” in this announcement                            |
| “Directors”                     | directors of the Company   |
| “EGM”                           | an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Agreement and the Acquisition contemplated thereunder, including but not limited to the payment of the Refundable Deposit, the allotment and issue of the Convertible Preference Shares, Conversion Shares, the entering into of the Management Agreement and the annual caps under the Management Agreement |

|                               |  |
|-------------------------------|--|
| “Group”                       | the Company and its subsidiaries from time to time   |
| “Guarantors”                  | the three Independent Third Parties, being the guarantors to the Vendor under the Agreement and the legal and beneficial owners of PRC Co. as at the date of the Agreement   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC   |
| “HK Co.”                      | Grand Top Profit Limited, a company incorporated in Hong Kong with limited liability and to be owned as to 100% by the Target Company upon Completion  |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Independent Board Committee” | an independent board committee comprising all independent non-executive Directors, namely, Mr. Chang Kin Man, Mr. Yau Yan Ming, Raymond and Mr. Zhou Han Ping to advise the Independent Shareholders in respect of the Acquisition, the entering into of the Management Agreement and the annual caps under the Management Agreement |
| “Independent Shareholders”    | Shareholders other than the Vendor and Mr. Yeung together with their respective associates   |
| “Independent Third Party”     | a third party independent of the Company and the Connected Persons of the Company and is not a Connected Persons of the Company  |
| “Issue Price”                 | HK\$0.20 per each Convertible Preference Share   |
| “Last Trading Day”            | 4 January 2011, being the last trading day of the Shares immediately before the date of the Agreement  |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”              | 30 June 2011 or such other later date as may be agreed between the Purchaser and the Vendor  |
| “Management Agreement”        | the management agreement to be entered into between the Purchaser and Mr. Yeung on or before Completion whereby the Purchaser will appoint the Management Co. to provide to the Purchaser the management services in respect of the development, sale and management of the Property   |

|                      |   |
|----------------------|---|
| “Management Co.”     | Mr. Yeung or his designated entity to be established in the BVI or Hong Kong for the purpose of entering into of the Management Agreement and providing the management services in respect of the development, sale and management of the Property pursuant to the Management Agreement |
| “Mr. Yeung”          | Mr. Yeung Ka Sing, Carson, an executive Director  |
| “PRC”                | the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan   |
| “PRC Co.”            | Pinjin Meijia Industrial Area Limited (盤錦美加工業區有限公司), a limited liability company incorporated in the PRC and to be owned by HK Co. as to 90% upon Completion  |
| “Property”           | a parcel of bare development land located at Liaobin Economic Zone, Panjin City, Liaoning Province, PRC (中國遼寧省盤錦市遼濱經濟區)   |
| “Purchaser”          | Golden Abaccus Limited, a wholly-owned subsidiary of the Company incorporated in the BVI  |
| “Refundable Deposit” | the refundable deposit in the sum of RMB60,000,000 (approximately HK\$69,900,000) payable by the Purchaser to the Vendor under the Agreement  |
| “Relevant Period”    | the period of 1-year from the date of the Agreement   |
| “RMB”                | Renminbi, the lawful currency of the PRC  |
| “Sale Shares”        | 100 ordinary shares of US\$1.00 each in capital of the Target Company, representing the entire issued share capital of the Target Company   |
| “Shares”             | ordinary shares of HK\$0.01 each in the share capital of the Company  |
| “Shareholders”       | holders of the Shares   |
| “Stock Exchange”     | The Stock Exchange of Hong Kong Limited   |
| “Target Company”     | Lucky Zodiac Limited, a company incorporated in the BVI and wholly-owned by the Vendor  |

|                |   |
|----------------|---|
| “Target Group” | the Target Company, HK Co., PRC Co. and its subsidiaries from time to time              |
| “Vendor”       | Captain Wealth Limited, a company incorporated in the BVI and wholly-owned by Mr. Yeung |
| “%”            | per cent  |

By Order of the Board  
**Birmingham International Holdings Limited**  
**Hui Ho Luek, Vico**  
*Executive Director and Chief Executive Officer*

Hong Kong, 19 January 2011

*The exchange rate used in this announcement is approximately RMB1=HK\$1.165. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*As at the date of this announcement, the executive directors of the Company are Mr. Yeung Ka Sing, Carson, Mr. Hui Ho Luek, Vico, Mr. Steven McManaman, Mr. Lee Yiu Tung, Mr. Chan Shun Wah, Mr. Ip Wing Lun and Ms. Wong Po Ling, Pauline, the non-executive director is Mr. Chan Wai Keung and the independent non-executive directors are Mr. Chang Kin Man, Mr. Yau Yan Ming, Raymond and Mr. Zhou Han Ping.*