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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Birmingham International Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

Website: <http://www.irasia.com/listco/hk/birminghamint/index.htm>

**(1) PLACING OF NEW SHARES UNDER  
A SPECIFIC MANDATE  
ISSUE OF THE FIRST CONVERTIBLE BOND UNDER  
A SPECIFIC MANDATE  
ISSUE OF THE SECOND CONVERTIBLE BOND UNDER  
A SPECIFIC MANDATE**

**(2) CONNECTED TRANSACTIONS  
DEED OF NOVATION, DEBT CAPITALISATION AGREEMENT,  
SUBSCRIPTION AGREEMENT**

**(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

**(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**(5) UPDATE ON RESUMPTION OF TRADING**

**Independent financial adviser  
to the Independent Board Committee and the Independent Shareholders**

**AMASSE CAPITAL**  
寶 積 資 本

**Placing Agent**



Shenyin Wanguo Capital (H.K.) Limited

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

A letter from the Board is set out on pages 6 to 48 of this circular. A letter from the Independent Board Committee is set out on pages 49 to 50 of this circular. A letter from Amasse Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 68 of this circular.

A notice convening an extraordinary general meeting to be held at Kowloon Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 5 February 2014 at 2:00 p.m. is set out on pages 76 to 82 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

17 January 2014

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## DEFINITIONS

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

“BCFC”	Birmingham City Football Club Plc., being a subsidiary of the Company and wholly and directly owned by BCP
“BCP”	Birmingham City Plc., being a direct subsidiary of and 96.64% owned by the Company
“Board”	the board of Directors
“Bondholder”	the holder of the First Convertible Bond and the Second Convertible Bond
“Company”	Birmingham International Holdings Limited (stock code: 2309), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Debt”	the entire debt owed by BCFC to Mr. Yeung as at completion of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, being not more than HK\$193.5 million, which as at the Latest Practicable Date amounted to GBP15,384,971.52 (or approximately HK\$192,886,003.44)
“Debt Capitalisation Agreement”	the debt capitalisation agreement dated 20 December 2013 entered into between the Company and Mr. Yeung in relation to the capitalisation of the Debt
“Debt Conversion Share(s)”	new Shares to be allotted and issued by the Company upon the exercise by the holder of the Debt Convertible Bond with the conversion rights thereunder
“Debt Convertible Bond”	the convertible bond issued by the Company to Mr. Yeung, pursuant to the Subscription Agreement

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## DEFINITIONS

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“Deed of Novation”	the deed of novation dated 20 December 2013 entered into between the Company, BCFC and Mr. Yeung in relation to the novation of the entire Debt to the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 5 February 2014 to seek the approval for the Placing Agreement, the First CB Agreement, the Second CB Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement, and the increase in authorised share capital of the Company
“First CB Subscription Agreement”	the subscription agreement dated 12 November 2013, as amended by the First Deed of Variation, entered into between the Company and the Subscriber in relation to the subscription and issue of the First Convertible Bond
“First Conversion Share(s)”	new Shares to be allotted and issued by the Company upon the exercise by the holders of the First Convertible Bond with the conversion rights thereunder
“First Convertible Bond”	the convertible bond to be issued by the Company to the Subscriber, pursuant to the First CB Subscription Agreement
“First Deed of Variation”	the deed of variation dated 19 November 2013, entered into between the Company and the Subscriber in relation to the First CB Subscription Agreement
“GBP”	Pound Sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement
“Independent Placees”	third party placees under the Placing Agreement who, together with their ultimate beneficial owners, are independent third parties and not acting in concert (as defined under the Takeovers Code) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under the Listing Rules)
“Independent Shareholders”	the Shareholders other than Mr. Yeung and his associates
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owners are third parties independent from and not acting in concert with any of the Company and their concert parties, are independent of and not connected with any of the Company, their respective subsidiaries, their respective directors, chief executives, substantial shareholders, and their respective associates, and are not otherwise connected persons of the Company (as defined under the Listing Rules and/or the Takeovers Code, as applicable)
“Latest Practicable Date”	13 January 2014, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yeung”	Mr. Yeung Ka Sing, Carson, an executive Director and Chairman of the Company
“Placing”	the placing of Placing Shares pursuant to the Placing Agreement

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## DEFINITIONS

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“Placing Agent”	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 12 November 2013
“Placing Price”	as defined herein in the sub-section titled “The Placing of New Shares”
“Placing Share(s)”	1,260,000,000 new Shares to be placed pursuant to the Placing Agreement
“Second CB Subscription Agreement”	the subscription agreement dated 12 November 2013, as amended by the Second Deed of Variation and the Third Deed of Variation, entered into between the Company and the Subscriber in relation to the subscription and issue of the Second Convertible Bond
“Second Conversion Share(s)”	new Shares to be allotted and issued by the Company upon the exercise by the holders of the Second Convertible Bond with the conversion rights thereunder
“Second Convertible Bond”	the convertible bond to be issued by the Company in two tranches to the Subscriber, pursuant to the Second CB Subscription Agreement
“Second Deed of Variation”	the deed of variation dated 19 November 2013, entered into between the Company and the Subscriber in relation to the Second CB Subscription Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	U-Continent Holdings Limited, an Independent Third Party
“Subscription Agreement”	the subscription agreement dated 20 December 2013 entered into between the Company and Mr. Yeung, in relation to Mr. Yeung agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Deed of Variation”	the deed of variation dated 20 December 2013, entered into between the Company and the Subscriber in relation to the Second CB Subscription Agreement
“%”	percentage

*In this circular, certain amounts quoted in GBP should be translated into Hong Kong dollars at the reference rate of GBP1.00 to HK\$12.5373 for information purposes only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.*

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## LETTER FROM THE BOARD

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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)**

Website: <http://www.irasia.com/listco/hk/birminghamint/index.htm>

*Executive Directors:*

Yeung Ka Sing, Carson (*Chairman*)

Peter Pannu (*Chief Executive Officer and Managing Director*)

Ma Shui Cheong

Chan Shun Wah

Cheung Kwai Nang

Charlie Penn

Chen Liang

Cheung Shing

Panagiotis Pavlakis

*Independent non-executive Directors:*

Wong Ka Chun, Carson

Gao Shi Kui

Liu Enxue

Li Hanguo

*Principal Office:*

Units 1901 & 1910

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

17 January 2014

*To the Shareholders*

Dear Sir or Madam,

Reference is made to the Company's announcements dated (i) 12 November 2013 in relation to, amongst others, the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement, the proposed Deed of Novation, the proposed Debt Capitalisation Agreement, the proposed Subscription Agreement and the proposed increase in authorised share capital of the Company, (ii) 19 November 2013 in relation to the First Deed of Variation and the Second Deed of Variation and (iii) 20 December 2013 in relation to the Third Deed of Variation, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

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## LETTER FROM THE BOARD

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### I. PLACING AND CONVERTIBLE BONDS

#### The Placing of New Shares

On 12 November 2013, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent will conduct the Placing, on a fully underwritten basis, of 1,260,000,000 Placing Shares to not less than six professional, institutional, or other investors that are Independent Placees and to the extent any such Placing Shares are not placed, to take up those Placing Shares itself at the Placing Price. The Placing Shares will be issued pursuant to a specific mandate to be obtained at the EGM.

The terms of the Placing Agreement have been negotiated on an arm's length basis and the principal terms are summarised below:

Parties to the agreement: (i) The Company  
(ii) The Placing Agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent is a third party (i) independent of and not a connected person or associate of the Company and its connected persons (as defined under the Listing Rules) and (ii) independent of, and not acting in concert with, the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined under the Listing Rules) or their concert parties.

Agreement date: 12 November 2013

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## LETTER FROM THE BOARD

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- Structure of placing: The Placing Agent has conditionally agreed to place 1,260,000,000 Placing Shares. The Placing Agent will receive a placing commission of 1.50% on the gross proceeds of the actual number of Placing Shares being placed. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market rate.
- Placees: The Placing Shares are to be placed to not less than six Independent Placees. To the extent any such Placing Shares are not placed, the Placing Agent will take up those Placing Shares at the Placing Price.
- None of the Independent Placees shall become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the Placing.
- Placing Price: HK\$0.05 per Placing Share
- Ranking of the Placing Shares: The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.
- Conditions precedent:
- Specific mandate to be sought from the Shareholders at the EGM in relation to the issue of the Placing Shares
  - The Stock Exchange granting the listing of and permission to deal in the Placing Shares
  - The approval from the Stock Exchange approving the resumption of trading in the Shares having been obtained conditional only upon (a) completion of the Placing successfully occurring and (b) such other administrative conditions as are customarily stipulated by the Stock Exchange for listing of Shares on the Stock Exchange and not having been revoked

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## LETTER FROM THE BOARD

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- The obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof

Completion:

Completion will take place on the day the last of the above conditions has been fulfilled. If the above condition precedents are not satisfied and/or waived in whole or in part by the Placing Agent on or before 5:00 p.m. of the 90th day from the date of the Placing Agreement, the Placing will be terminated.

Termination:

Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) the completion of the Placing and (b) termination of the Placing Agreement by the Placing Agent in accordance with the terms and conditions of the Placing Agreement.

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the date of completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events. For this purpose, a "force majeure event" refers to, among others,

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

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## LETTER FROM THE BOARD

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
  
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

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## LETTER FROM THE BOARD

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### *Placing Price*

The Placing Price of HK\$0.05 per Placing Share represents:

- (i) a discount of approximately 67.53% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange as of 29 June 2011, being the last trading day prior to the suspension of trading in the Shares; and
- (ii) a discount of approximately 67.78% to the average closing price of HK\$0.1552 per Share for the last five consecutive trading days up to and including 29 June 2011, being the last trading day prior to the suspension of trading in the Shares.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent, with reference to the Group's existing financial position and current market conditions.

The Directors consider that, in light of the financial position and requirement of the Group, the terms of the Placing Agreement (including the Placing Price and the placing commission to be received by the Placing Agent) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### *The Placing Shares*

The 1,260,000,000 Placing Shares represent (i) approximately 32.41% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 24.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and (iii) approximately 18.49% of the issued share capital of the Company as enlarged by the allotment and issue of the First Conversion Shares and the Placing Shares, assuming the conversion rights attaching to the First Convertible Bond are exercised in full.

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## LETTER FROM THE BOARD

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### *Use of proceeds*

The net proceeds from the issue of the Placing Shares of approximately HK\$62.1 million are intended to be used for the Group's working capital purposes and the general improvement of the Group's liquidity position. A creditor of the Company has agreed to take a 50.00% "haircut" on the amount of debt due to it provided that the balance is paid within three months following the date of resumption of trading in the Shares. The amount to be repaid under this arrangement (after taking into account the abovementioned "haircut") is approximately HK\$28.2 million. Part of the proceeds from the issue of the Placing Shares may be used to repay such agreed debt.

### *Reasons for and benefit of issuing the Placing Shares*

Given (i) the Group's net liabilities position as at the Latest Practicable Date, and (ii) the Group's working capital requirement, especially in light of the cash requirements to maintain and run a football club in the Championship Division of a professional competitive football league, the Board considers that the Placing can improve the gearing ratio and strengthen the Group's financial position and provide working capital to the Group to meet future development needs and obligations.

### *Mandate to issue the Placing Shares*

The Placing Shares will be issued by the Company under a specific mandate to be sought from the Shareholders at the EGM.

### *Application for listing*

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

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## LETTER FROM THE BOARD

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### **The First CB Subscription Agreement**

On 12 November 2013, the Company and the Subscriber entered into the First CB Subscription Agreement, as amended by the First Deed of Variation, pursuant to which the Company agrees to issue, and the Subscriber agrees to subscribe, the First Convertible Bond under a specific mandate, to the principal amount of HK\$50.0 million with a conversion price of HK\$0.03 per First Conversion Share. The First Convertible Bond has a maturity date of two years from the date of issue.

The terms of the First Convertible Bond, including the conversion price of the First Convertible Bond, have been negotiated on an arm's length basis and the principal terms of the First Convertible Bond, as amended by the First Deed of Variation, are summarised below:

Parties to the agreement: (i) The Company

(ii) The Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties, and neither the Subscriber nor its associates are Shareholders.

Agreement date: 12 November 2013, as amended by the First Deed of Variation on 19 November 2013

Principal amount: HK\$50.0 million

Maturity date: Two years from the date of issue

Interest rate: Zero

Conversion price: HK\$0.03 per First Conversion Share

Conversion shares: A maximum of 1,666,666,666 new Shares subject to adjustment provisions, of a par value of HK\$0.01 each to be issued upon conversion of the First Convertible Bond

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## LETTER FROM THE BOARD

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Conversion period: The period commencing on the date of issue and expiring on the date falling 2 years thereafter. To the extent possible pursuant to the conversion rights, the Bondholder must convert the entire First Convertible Bond before its maturity date, otherwise it or any part thereof outstanding will automatically be converted into Shares on maturity date. Any part of the First Convertible Bond outstanding following its maturity date will lapse and be cancelled.

Conversion rights: The Bondholder may convert the First Convertible Bond in whole or in part (in an integral multiple of HK\$500,000.0) of the outstanding principal amount of the First Convertible Bond on any business day during the conversion period.

The Company shall not be required to allot and issue First Conversion Shares to the Bondholder nor shall the Bondholder be permitted to convert the First Convertible Bond (or parts thereof) if upon such allotment and issue or conversion (as the case may be), the Bondholder and parties acting in concert with it shall be interested (whether directly or indirectly) in 30.00% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise.

The conversion rights attaching to the First Convertible Bond cannot be exercised if the issue of the First Conversion Shares results in the Company being unable to fulfill the maintenance of public float requirement as required under the Listing Rules immediately after issue of the First Conversion Shares.

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## LETTER FROM THE BOARD

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Adjustment provisions: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the First Convertible Bond remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves — if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash, the conversion price shall be adjusted in the case of an issue of Shares other than by way of such scrip dividend by a predetermined formula;
- (iii) capital distribution which shall include distributions in cash or specie — if and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the conversion price falls to be adjusted under sub-paragraph (ii) above, or falls within subparagraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by a predetermined formula;
- (iv) issue of Shares by way of rights — if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent, inter alia, the last 5 dealing days before such event date, per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by a predetermined formula; and

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## LETTER FROM THE BOARD

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- (v) issue of other securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights — if and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by a predetermined formula.

- Transferability: Neither the First Convertible Bond nor any part thereof may be transferred without the prior written consent of the Company, except for a transfer to wholly-owned subsidiaries or the holding company (as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) of the Bondholder.
- Security: None
- Ranking of the conversion shares: Shares issued upon conversion will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the First Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.
- Conditions precedent:
- Specific mandate to be sought from the Shareholders at the EGM in relation to the issue of the First Convertible Bond
  - The Stock Exchange granting the listing of and permission to deal in the First Conversion Shares

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## LETTER FROM THE BOARD

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- The approval from the Stock Exchange approving the resumption in trading in the Shares having been obtained conditional only upon (a) completion successfully occurring and (b) such other administrative conditions as are customarily stipulated by the Stock Exchange for listing of Shares on the Stock Exchange and not having been revoked
- The Department of Justice or other relevant Hong Kong government body not raising an objection as to the issue of the First Convertible Bond by the Company before completion of the EGM approving the First CB Subscription Agreement. This condition has been included because on 6 July 2011, a restraint order was made by HH Justice Bokhary which prohibits the disposal of assets by Mr. Yeung. As the coverage and comprehensiveness of that order is very wide and Mr. Yeung's interest in the Company constitutes his assets, the Company believes it is prudent to include this as a condition to completion. Copies of all material announcements regarding the transactions contemplated pursuant to the Placing, the First Convertible Bond, the Second Convertible Bond, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement have been given to the Department of Justice. The Department of Justice had in a letter dated 14 June 2013 indicated that "... we would consider not raising objection to the proposal that all stakeholders including the related shareholders, creditors, the Hong Kong Stock Exchange and other regulatory bodies approve such proposal". Therefore, it would appear that so long as Shareholders and the Stock Exchange approve the transactions and listing approval is granted for the relevant conversion shares, the Department of Justice will not object to this proposed transaction. The Company will keep the authorities updated of the events and progress.

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## LETTER FROM THE BOARD

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Completion: Completion will take place on the business day following the date on which the above conditions precedents are fulfilled.

As announced by the Company on 1 August 2013 and 19 November 2013, the Subscriber has granted to the Company a loan in the amount of HK\$20.0 million (the “**First Loan**”) and HK\$15.0 million (the “**Second Loan**”), respectively. For the avoidance of doubt, the Subscriber will on completion instruct the Company to retain the First Loan amount and the Second Loan amount as part of the principal amount of HK\$50.0 million such that only the balance of HK\$15.0 million (the “**Balance**”) shall be due from the Subscriber to the Company on completion. The Subscriber will within 14 days following the execution of the First CB Subscription Agreement deposit with the legal advisers to the Company an amount equal to the Balance to be held in escrow for release to the Company, subject to satisfaction of the conditions precedent, before resumption of trading in the Shares.

### *Conversion price*

The Conversion Price of HK\$0.03 per First Conversion Share represents:

- (i) a discount of approximately 80.52% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange as of 29 June 2011, being the last trading day prior to suspension of the trading in the Shares; and
- (ii) a discount of approximately 80.67% to the average closing price of HK\$0.1552 per Share for the last five consecutive trading days up to and including 29 June 2011, being the last trading day prior to suspension of the trading in the Shares.

The conversion price was determined after arm’s length negotiations between the Company and the Subscriber, with reference to the Group’s existing financial position and current market conditions, and the fact that the shareholder had already granted the loan to the Company during the relevant time period.

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## LETTER FROM THE BOARD

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### *The First Conversion Shares*

Upon full conversion of the First Convertible Bond in the principal amount of HK\$50.0 million by the Bondholder at the conversion price, a maximum of 1,666,666,666 First Conversion Shares will be issued. The First Conversion Shares will represent (i) approximately 42.87% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 30.01% of the issued share capital of the Company as enlarged by the allotment and issue of the First Conversion Shares assuming the conversion rights attaching to the First Convertible Bond are exercised in full.

### *Use of proceeds*

The net proceeds from the issue of the First Convertible Bond of HK\$15.0 million, (taking into account of the First Loan and the Second Loan), are intended to be used for the Group's working capital purposes, the general improvement of the Group's liquidity position, repayment of debt and possible future investments and acquisitions, as and when opportunities arise.

### *Reasons for and benefit of issuing the First Convertible Bond*

The Board considers raising funds by issuing the First Convertible Bond represent an opportunity for the Company to enhance its liquidity and working capital positions and strengthen its general financial position, while not having an immediate dilution effect on the shareholdings of the existing Shareholders. The Board considers the issue of the First Convertible Bond to be an appropriate means of raising additional capital to fund the Group's operations.

### *Mandate to issue the First Conversion Shares*

The First Conversion Shares will be issued by the Company under a specific mandate to be sought from the Shareholders at the EGM.

### *Application for listing*

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the First Conversion Shares.

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## LETTER FROM THE BOARD

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### **The Second CB Subscription Agreement**

On 12 November 2013, the Company and Subscriber entered into the Second CB Subscription Agreement, as amended by the Second Deed of Variation and the Third Deed of Variation, pursuant to which the Company agrees to issue, and the Subscriber agrees to subscribe, the Second Convertible Bond under a specific mandate, in two tranches to the principal amount of HK\$125.0 million (as to HK\$105.0 million under the first tranche and HK\$20.0 million under the second tranche), with a conversion price of HK\$0.03 per Second Conversion Share. Each tranche of the Second Convertible Bond has a maturity date of two years from the date of issue.

The terms of the Second Convertible Bond, including the conversion price of the Second Convertible Bond, have been negotiated on an arm's length basis and the principal terms of the Second Convertible Bond, as amended by the Second Deed of Variation and the Third Deed of Variation, are summarised below:

Parties to the agreement: (i) The Company

(ii) The Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties, and neither the Subscriber nor its associates are Shareholders.

Agreement date: 12 November 2013, as amended by the Second Deed of Variation on 19 November 2013 and the Third Deed of Variation on 20 December 2013

Principal amount: HK\$125.0 million in two tranches (as to HK\$105.0 million under the first tranche and HK\$20.0 million under the second tranche)

Maturity date: Two years from the date of issue of each tranche

Interest rate: Zero

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## LETTER FROM THE BOARD

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- Conversion price: HK\$0.03 per Second Conversion Share
- Conversion shares: A maximum of 4,166,666,666 new Shares subject to adjustment provisions, of a par value of HK\$0.01 each to be issued upon conversion of the entire Second Convertible Bond.
- Conversion period: The period commencing on the date of issue and expiring on the date following 2 years thereafter. To the extent possible pursuant to the conversion rights, the Bondholder must convert the entire Second Convertible Bond before its maturity date, otherwise it or any part thereof outstanding will automatically be converted into Shares on maturity date. Any part of the Second Convertible Bond outstanding following its maturity date will lapse and be cancelled.
- Conversion rights: The Bondholder may convert the Second Convertible Bond in whole or in part (in an integral multiple of HK\$500,000.0) of the outstanding principal amount of the Second Convertible Bond on any business day during the conversion period.
- The Company shall not be required to allot and issue Second Conversion Shares to the Bondholder nor shall the Bondholder be permitted to convert the Second Convertible Bond (or parts thereof) if upon such allotment and issue or conversion (as the case may be), the Bondholder and parties acting in concert with it shall be interested (whether directly or indirectly) in 30.00% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise.

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## LETTER FROM THE BOARD

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The conversion rights attaching to the Second Convertible Bond cannot be exercised if the issue of the Second Conversion Shares results in the Company being unable to fulfill the maintenance of public float requirement as required under the Listing Rules immediately after issue of the Second Conversion Shares.

The Bondholder undertakes not to, without the prior written consent of the Company, at any time during the period commencing on the date of completion of the Second CB Subscription Agreement and ending twelve months thereafter to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Second Conversion Shares held/owned by it.

Adjustment provisions: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the First Convertible Bond remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves — if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash, the conversion price shall be adjusted in the case of an issue of Shares other than by way of such scrip dividend by a predetermined formula;

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## LETTER FROM THE BOARD

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- (iii) capital distribution which shall include distributions in cash or specie — if and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the conversion price falls to be adjusted under sub-paragraph (ii) above, or falls within subparagraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by a predetermined formula;
- (iv) issue of Shares by way of rights — if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent, inter alia, the last 5 dealing days before such event date, per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by a predetermined formula; and
- (v) issue of other securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights — if and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by a predetermined formula.

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## LETTER FROM THE BOARD

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- Transferability: Neither the Second Convertible Bond nor any part thereof may be transferred without the prior written consent of the Company, except for a transfer to wholly-owned subsidiaries or the holding company (as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) of the Bondholder.
- Security: None
- Ranking of the conversion shares: Shares issued upon conversion will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the Second Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.
- Conditions precedent:
- Specific mandate to be sought from the Shareholders at the EGM in relation to the issue of the Second Convertible Bond
  - The Stock Exchange granting the listing of and permission to deal in the Second Conversion Shares
  - In principal approval for the resumption of trading in the Shares on the Stock Exchange for the first tranche having been given by the Stock Exchange and actual resumption having taken place for the second tranche

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## LETTER FROM THE BOARD

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- The Department of Justice or other relevant Hong Kong government body not raising an objection as to the issue of the Second Convertible Bond by the Company before completion of the EGM approving the Second CB Subscription Agreement. This condition has been included because on 6 July 2011, a restraint order was made by HH Justice Bokhary which prohibits the disposal of assets by Mr. Yeung. As the coverage and comprehensiveness of that order is very wide and Mr. Yeung's interest in the Company constitutes his assets, the Company believes it is prudent to include this as a condition to completion. Copies of all material announcements regarding the transactions contemplated pursuant to the Placing, the First Convertible Bond, the Second Convertible Bond, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement have been given to the Department of Justice. The Department of Justice had in a letter dated 14 June 2013 indicated that "... we would consider not raising objection to the proposal that all stakeholders including the related shareholders, creditors, the Hong Kong Stock Exchange and other regulatory bodies approve such proposal". Therefore, it would appear that so long as Shareholders and the Stock Exchange approve the transactions and listing approval is granted for the relevant conversion shares, the Department of Justice will not object to this proposed transaction. The Company will keep the authorities updated of the events and progress.

### Completion:

Completion of the first tranche of the Second Convertible Bond will take place on the business day prior to the resumption of trading in the Shares and completion of the second tranche of the Second Convertible Bond will take place within 3 months from the date of resumption of trading in the Shares.

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## LETTER FROM THE BOARD

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### *Conversion price*

The conversion price of HK\$0.03 per Second Conversion Share represents:

- (i) a discount of approximately 80.52% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange as of 29 June 2011, being the last trading day prior to suspension of the trading in the Shares; and
- (ii) a discount of approximately 80.67% to the average closing price of HK\$0.1552 per Share for the last five consecutive trading days up to and including 29 June 2011, being the last trading day prior to suspension of the trading in the Shares.

The conversion price was determined after arm's length negotiations between the Company and the Subscriber, with reference to the Group's existing financial position and current market conditions, and the 12 months lock-up period as stated above.

### *The Second Conversion Shares*

Upon full conversion of all tranches of the Second Convertible Bond in the principal amount of HK\$125.0 million by the Bondholder at the conversion price, a maximum of 4,166,666,666 Second Conversion Shares will be issued. The Second Conversion Shares will represent: (i) approximately 107.17% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 51.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Second Conversion Shares assuming the conversion rights attaching to the Second Convertible Bond are exercised in full; and (iii) approximately 13.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, the First Conversion Shares and the Debt Conversion Shares, assuming the conversion rights attaching to the First Convertible Bond, the Debt Convertible Bond and the Second Convertible Bond are exercised to the extent allowed under the terms of the First CB Subscription Agreement, the Subscription Agreement and the Second CB Subscription Agreement, respectively.

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## LETTER FROM THE BOARD

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### *Use of proceeds*

The Second Convertible Bond is structured in two tranches, and the net proceeds from the issue of the first tranche of HK\$105.0 million are intended to be used for the repayment of creditors and general working capital purposes of the Group. It covers the working capital requirements of the Group for the twelve months following the resumption in trading in the Shares. The net proceeds of the second tranche of the Second Convertible Bond of HK\$20.0 million are intended to be used for the general improvement of the Group's liquidity position and possible future investments and acquisitions, as and when opportunities arise, as well as contingent monies in the event that additional players are acquired in future transfer windows. As at the Latest Practicable Date, no investment and/or acquisition targets have been identified.

### *Reasons for and benefit of issuing the Second Convertible Bond*

The Board considers raising funds by issuing the Second Convertible Bond represent an opportunity for the Company to enhance its liquidity and working capital positions and strengthen its general financial position, while not having an immediate dilution effect on the shareholdings of the existing Shareholders. The Board considers the issue of the Second Convertible Bond to be an appropriate means of raising additional capital to fund the Group's operations, following the resumption of trading in the Shares.

### *Mandate to issue the Second Conversion Shares*

The Second Conversion Shares will be issued by the Company under a specific mandate to be sought from the Shareholders at the EGM.

### *Application for listing*

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Second Conversion Shares.

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## LETTER FROM THE BOARD

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### II. NOVATION AND CAPITALISATION OF MR. YEUNG'S DEBT

#### The Deed of Novation

On 20 December 2013, the Company, BCFC and Mr. Yeung entered into the Deed of Novation, pursuant to which Mr. Yeung agrees to and accepts the liabilities of BCFC under the Debt being assumed by the Company. Upon completion of the Deed of Novation, the Company will assume the obligations and liabilities under the Debt, and Mr. Yeung will have no further rights against BCFC under the Debt. As at Latest Practicable Date, the Debt amounted to approximately HK\$192.9 million and as at completion of the Deed of Novation will not be more than HK\$193.5 million.

The terms of the Deed of Novation have been negotiated on an arm's length basis and the principal terms are summarised below:

Parties to the agreement: (i) The Company

(ii) BCFC

(iii) Mr. Yeung

Agreement date: 20 December 2013

Structure of novation:

- The Company agrees to assume the rights and obligations of BCFC under the Debt
- The Company consents to and accepts the assumption by it of the liabilities under the Debt and the agreement by it to perform the obligations of BCFC under the Debt
- Mr. Yeung agrees to and accept the liabilities of BCFC under the Debt being assumed by the Company

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## LETTER FROM THE BOARD

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- Mr. Yeung releases and discharges BCFC from all liabilities under the Debt, agrees that he has no further rights against BCFC under the Debt and hereby warrants and represents that he is not owed any other sums from BCFC
- The Company releases BCFC from its obligations under the Debt and agrees that it has no further rights against BCFC under the Debt

Conditions precedent:

- The approval of the Deed of Novation by the Independent Shareholders
- The Department of Justice in Hong Kong or other relevant Hong Kong government body not raising an objection to the transaction contemplated under the Deed of Novation prior to the close of the EGM approving the Deed of Novation
- All necessary consents of all relevant governmental and regulatory authorities and other relevant third parties having been obtained

Completion:

Completion will take place on the date on which the above conditions precedent are fulfilled, before the resumption of trading in the Shares and simultaneous with the completion of the Debt Capitalisation Agreement and the Subscription Agreement, respectively.

Completion of the Deed of Novation is not inter-conditional on the completion of the Debt Capitalisation Agreement and the Subscription Agreement.

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## LETTER FROM THE BOARD

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### *Financial effect of the Deed of Novation*

A loss attributable to the Company is expected upon completion of the Deed of Novation, due to the fact that BCFC, being an indirect non wholly-owned subsidiary of the Company, will be released from its obligations under the Debt owed to Mr. Yeung. Based on an amount of Debt of approximately HK\$193.5 million, being the maximum amount anticipated to be due as at the proposed date of completion of the Deed of Novation, it is estimated that a consolidated loss attributable to the Company of approximately HK\$6.5 million will be incurred upon completion of the Deed of Novation. The Company will incur such loss by virtue of it assuming the part of the Debt attributable to the minority shareholders in BCP of approximately 3.36%. The above consolidated loss attributable to the Company will also be reflected in its consolidated balance sheet as a reduction in equity attributable to Shareholders.

### **The Debt Capitalisation Agreement and the Subscription Agreement**

On 20 December 2013, the Company and Mr. Yeung entered into the Debt Capitalisation Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond.

Further, on 20 December 2013, the Company and Mr. Yeung entered into the Subscription Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond. The amount as at completion of the Subscription Agreement and the Debt Capitalisation Agreement is not yet ascertained. The amount of Debt as at Latest Practicable Date amounted to approximately HK\$192.9 million, and based on the expected date of completion of the Deed of Novation, the Subscription Agreement and the Debt Capitalisation Agreement, the actual amount of the Debt will not be more than HK\$193.5 million. The conversion price is HK\$0.03 per Debt Conversion Share. The actual principal amount for the Debt Convertible Bond shall be satisfied by setting off against the entire amount of the Debt.

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## LETTER FROM THE BOARD

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The terms of the Debt Capitalisation Agreement have been negotiated on an arm's length basis and the principal terms are summarised below:

Parties to the agreement: (i) The Company

(ii) Mr. Yeung

Agreement date: 20 December 2013

Terms:

- Mr. Yeung agrees to subscribe, and the Company agrees to issue to Mr. Yeung, the Debt Convertible Bond. The Debt Convertible Bond will be issued, free from encumbrances and the Debt Conversion Shares will rank pari passu in all respects with the existing Shares in issue as at the date of conversion

- The consideration shall be satisfied by capitalising the Debt due from the Company to Mr. Yeung

- The Debt Convertible Bond will be allotted and issued credited as fully paid and the Debt shall be deemed to have been fully paid to the Company and, for the avoidance of doubt, BCFC, shall not have any liabilities, obligations and duties to Mr. Yeung in relation to the Debt whatsoever

Conditions precedent:

- The approval of the Debt Capitalisation Agreement by the Independent Shareholders

- The Stock Exchange granting the listing of and permission to deal in the Debt Conversion Shares

- The approval from the Stock Exchange approving the resumption in trading in the Shares having been obtained conditional only upon (a) completion successfully occurring and (b) such other administrative conditions as are customarily stipulated by the Stock Exchange for listing of Shares on the Stock Exchange and not having been revoked

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## LETTER FROM THE BOARD

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- All consents of all relevant governmental and regulatory authorities having been obtained
- The Department of Justice in Hong Kong or other relevant Hong Kong government body not raising an objection to the transaction contemplated under the Debt Capitalisation Agreement prior to the close of the EGM approving the Debt Capitalisation Agreement. This condition has been included because on 6 July 2011, a restraint order was made by HH Justice Bokhary which prohibits the disposal of assets by Mr. Yeung. As the coverage and comprehensiveness of that order is very wide and Mr. Yeung's interest in the Company constitutes his assets, the Company believes it is prudent to include this as a condition to completion. Copies of all material announcements regarding the transactions contemplated pursuant to the Placing, issue of the First Convertible Bond, Second Convertible Bond, Deed of Novation, Debt Capitalisation Agreement and Subscription Agreement have been given to the Department of Justice. The Department of Justice had in a letter dated 14 June 2013 indicated that "... we would consider not raising objection to this proposal provided that all stakeholders including the related shareholders, creditors, the Hong Kong Stock Exchange and other regulatory bodies approve such proposal". Therefore, it would appear that so long as Shareholders, creditors, the Stock Exchange and other regulatory bodies approve the transactions and listing approval is granted for the relevant conversion shares, the Department of Justice will not object to this proposed transaction. The Company will keep the authorities updated of the events and progress.

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## LETTER FROM THE BOARD

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Completion: Completion will take place on the date on which the above conditions precedent are fulfilled, before the resumption of trading in the Shares and simultaneous with the completion of the Deed of Novation and the Subscription Agreement, respectively. However, the Subscription Agreement and the Debt Capitalisation Agreement are not inter-conditional.

Completion of the Debt Capitalisation Agreement is conditional upon completion of the Deed of Novation.

The terms of the Subscription Agreement, including the conversion price of the Debt Convertible Bond, have been negotiated on an arm's length basis and the principal terms of the Subscription Agreement are summarised below:

Parties to the agreement: (i) The Company

(ii) Mr. Yeung

Agreement date: 20 December 2013

Principal amount: The amount of Debt outstanding upon completion, which will not be more than HK\$193.5 million

Maturity date: Two years from the date of issue

Interest rate: Zero

Conversion price: HK\$0.03 per Debt Conversion Share

Conversion shares: A maximum of 6,450,000,000 new Shares subject to adjustment provisions, of a par value of HK\$0.01 each to be issued upon conversion of the Debt Convertible Bond, on the basis of the Debt being HK\$193.5 million

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## LETTER FROM THE BOARD

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Conversion period: The period commencing on the date of issue and expiring on the date falling 2 years thereafter. To the extent possible pursuant to the conversion rights, Mr. Yeung must convert the entire Debt Convertible Bond before its maturity date, otherwise it or any part thereof outstanding will automatically be converted into Shares on maturity date. Any part of the Debt Convertible Bond outstanding following its maturity date will lapse and be cancelled.

Conversion rights: Mr. Yeung may convert the Debt Convertible Bond in whole or in part (in an integral multiple of HK\$500,000.0) of the outstanding principal amount of the Debt Convertible Bond on any business day during the conversion period.

The Company shall not be required to allot and issue Debt Conversion Shares to Mr. Yeung nor shall Mr. Yeung be permitted to convert the Debt Convertible Bond (or parts thereof) if upon such allotment and issue or conversion (as the case may be), Mr. Yeung and parties acting in concert with him shall be interested (whether directly or indirectly) in 30.00% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise.

The conversion rights attaching to the Debt Convertible Bond cannot be exercised if the issue of the Debt Conversion Shares results in the Company being unable to fulfill the maintenance of public float requirement as required under the Listing Rules immediately after issue of the Debt Conversion Shares.

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## LETTER FROM THE BOARD

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Adjustment provisions: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the First Convertible Bond remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves — if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash, the conversion price shall be adjusted in the case of an issue of Shares other than by way of such scrip dividend by a predetermined formula;
- (iii) capital distribution which shall include distributions in cash or specie — if and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the conversion price falls to be adjusted under sub-paragraph (ii) above, or falls within subparagraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by a predetermined formula;
- (iv) issue of Shares by way of rights — if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent, inter alia, the last 5 dealing days before such event date, per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by a predetermined formula; and

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## LETTER FROM THE BOARD

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- (v) issue of other securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights — if and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by a predetermined formula.

- Transferability: Neither the Debt Convertible Bond nor any part thereof may be transferred without the prior written consent of the Company, except for a transfer to wholly-owned subsidiaries or the holding company (as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) of the Mr. Yeung.
- Security: None
- Ranking of the conversion shares: Shares issued upon conversion will rank pari passu in all respects among themselves and with other existing Shares outstanding at the date of issue of the Debt Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.
- Conditions precedent:
- The approval of the Subscription Agreement by the Independent Shareholders
  - The Stock Exchange granting the listing of and permission to deal in the Debt Conversion Shares

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## LETTER FROM THE BOARD

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- The approval from the Stock Exchange approving the resumption in trading in the Shares having been obtained conditional only upon (a) completion successfully occurring and (b) such other administrative conditions as are customarily stipulated by the Stock Exchange for listing of Shares on the Stock Exchange and not having been revoked
- The Department of Justice or other relevant Hong Kong government body not raising an objection as to the issue of the Debt Convertible Bond by the Company before completion of the EGM approving the Subscription Agreement. This condition has been included because on 6 July 2011, a restraint order was made by HH Justice Bokhary which prohibits the disposal of assets by Mr. Yeung. As the coverage and comprehensiveness of that order is very wide and Mr. Yeung's interest in the Company constitutes his assets, the Company believes it is prudent to include this as a condition to completion. Copies of all material announcements regarding the transactions contemplated pursuant to the Placing, issue of the First Convertible Bond, Second Convertible Bond, Deed of Novation, Debt Capitalisation Agreement and Subscription Agreement have been given to the Department of Justice. The Department of Justice had in a letter dated 14 June 2013 indicated that "... we would consider not raising objection to this proposal provided that all stakeholders including the related shareholders, creditors, the Hong Kong Stock Exchange and other regulatory bodies approve such proposal". Therefore, it would appear that so long as Shareholders, creditors, the Stock Exchange and other regulatory bodies approve the transactions and listing approval is granted for the relevant conversion shares, the Department of Justice will not object to this proposed transaction. The Company shall keep the authorities updated of the events and progress.

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## LETTER FROM THE BOARD

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Completion: Completion will take place on the date on which the above conditions precedent are fulfilled, before the resumption of trading in the Shares and simultaneous with the completion of the Deed of Novation and the Debt Capitalisation Agreement, respectively. However, the Subscription Agreement and the Debt Capitalisation Agreement are not inter-conditional.

Completion of the Subscription Agreement is conditional upon the completion of the Deed of Novation.

### *Conversion price*

The conversion price of HK\$0.03 per Debt Conversion Share represents:

- (i) a discount of approximately 80.52% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange as of 29 June 2011, being the last trading day prior to suspension of the trading in the Shares; and
- (ii) a discount of approximately 80.67% to the average closing price of HK\$0.1552 per Share for the last five consecutive trading days up to and including 29 June 2011, being the last trading day prior to suspension of the trading in the Shares.

The conversion price has been determined after arm's length negotiations between the Company and Mr. Yeung, with reference to the Group's existing financial position, current market conditions and the long suspension of the trading in the Shares, the financial support provided by Mr. Yeung to the Group throughout the years and the fact the Mr. Yeung has agreed to take a convertible debt instrument in lieu of cash.

### *The Debt Conversion Shares*

Upon full conversion of the Debt Convertible Bond in the maximum principal amount of approximately HK\$193.5 million by Mr. Yeung at the conversion price, a maximum of 6,450,000,000 Debt Conversion Shares will be issued. The Debt Conversion Shares will represent: (i) approximately 165.91% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 62.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Debt Conversion Shares assuming the conversion rights attaching to the Debt Convertible Bond are exercised in full; and (iii) together with Mr. Yeung's

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## LETTER FROM THE BOARD

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shareholding in the Company as at the Latest Practicable Date, approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the First Convertible Bond, and assuming the conversion rights attaching to the First Convertible Bond and the Debt Convertible Bond are exercised to the extent allowed under the terms of the First CB Subscription Agreement and the Subscription Agreement, respectively.

### *Use of proceeds*

The Subscription Agreement will result in the Company capitalising the Debt owed by the Company to Mr. Yeung. As such, there will be no net proceeds resulting from the issue of the Debt Convertible Bond.

### *Reasons for and benefits of entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement*

The Company is in negotiations with third parties regarding a possible disposal of an interest (being less than a controlling interest) in BCP and/or BCFC (the “**Disposal**”). Against the backdrop of Mr. Yeung’s ongoing court case in Hong Kong, it has come to the attention of the Board that some potential buyers’ interests in BCP and/or BCFC are deterred by the financial links between BCFC and Mr. Yeung. By virtue of novating the Debt from BCFC to the Company, the value of the Company’s interest in BCFC to prospective buyers may be increased. Pursuant to the Deed of Novation, the Company will assume the Debt, which is currently directly held by BCFC (a company directly wholly-owned by BCP, which is in turn 96.64% owned by the Company). Accordingly, BCP’s shareholders other than the Company will be released from their respective share in the Debt. Please see the section titled “Financial effect of the Deed of Novation” for further information. It is the Board’s view that adverse effects due to the assumption of all the Debt by the Company is outweighed by the potential advantages of completing the Disposal with terms that may be positive for the Shareholders. The Debt Capitalisation Agreement and the Subscription Agreement allow for the Debt to be converted into the Debt Convertible Bond. The Board considers this to be beneficial to the Company’s gearing ratio and for strengthening the financial position of the Group, upon the mandatory conversion of the Debt Convertible Bond into Shares upon maturity.

The Directors (excluding the independent non-executive Directors who express their view in a separate letter included in this circular relating to the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement) believe that the terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Mandate to issue the Debt Conversion Shares*

The Debt Conversion Shares will be issued by the Company under a specific mandate to be sought from the Shareholders at the EGM.

### *Application for listing*

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Debt Conversion Shares.

### **Information on the Company**

The Company is an investment holding company. The Company, together with its subsidiaries, is principally engaged in professional football operations, apparel sourcing & trading and entertainment and media services.

### **Information on BCFC**

BCFC is a professional football club in the United Kingdom currently in the Championship Division. Its main assets consist of freehold land and buildings, acquired players' registrations, fixtures and equipment and motor vehicles.

### **Information on the Subscriber**

U-Continent Holdings Limited is incorporated in the British Virgin Islands. The principal activity is investment holding. It is directly and wholly owned by Mr. Yang Yuezhou, a previous Director who resigned from his position as Director on 4 June 2012.

Save for the above, neither Mr. Yang Yuezhou nor the Subscriber has any other relationship with the Company and/or its connected persons. The Subscriber is not a placee under the Placing, and is not financed directly or indirectly by any of the connected persons of the Company. The Subscriber is not accustomed to take instructions from any of the Company's connected persons in connection with the acquisition, disposal, voting or after disposition of the Company's Shares held by it.

So far as the Company is aware having taken reasonable steps to ascertain the same, the Subscriber and its beneficial owners have no intention or plan to dispose of a material interest in the Company (upon conversion of the First Convertible Bond and/or the Second Convertible Bond) within 24 months after resumption.

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## LETTER FROM THE BOARD

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The Company has no intention or plan to, nor has the Subscriber requested, the appointment of Mr. Yang Yuezhou or his nominee to be a Director after resumption in trading in the Shares.

On 2 August 2011, the Company announced a placing of convertible notes at a principal amount of HK\$79.5 million. The placing was to be made to Inkatha Group Limited, a company owned by Mr. Yang Yuezhou. As the conditions precedent to the above placing agreement were never fulfilled, the above placing had not become unconditional and no convertible notes were issued.

### **Shareholding structure of the Company**

As at the Latest Practicable Date, the Company has 3,887,753,400 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Placing Agreement and the First CB Subscription Agreement, assuming the conversion rights attaching to the First Convertible Bond are exercised to the extent allowed under the terms of the First CB Subscription Agreement; (iii) immediately after the completion of the Placing Agreement, the First CB Subscription Agreement and the Subscription Agreement, assuming the conversion rights attaching to the First Convertible Bond and the Debt Convertible Bond are exercised to the extent allowed under the terms of the First CB Subscription Agreement and the Subscription Agreement, respectively; and (iv) immediately after the completion of the Placing Agreement, the First CB Subscription Agreement, the Subscription Agreement and the Second CB Subscription Agreement, assuming the conversion rights attaching to the First Convertible Bond, the Debt Convertible Bond and the Second Convertible Bond are exercised to the extent allowed under the terms of the First CB Subscription Agreement, the Subscription Agreement and the Second CB Subscription Agreement, respectively.

Further, the final column sets out the shareholding structure of the Company immediately after the completion of the Placing Agreement, the First CB Subscription Agreement, the Subscription Agreement and the Second CB Subscription Agreement, assuming the conversion rights attaching to the First Convertible Bond, the Debt Convertible Bond and the Second Convertible Bond are exercised in full.

## LETTER FROM THE BOARD

The table below is based on the best knowledge, information and belief of the Directors:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Placing Agreement and the First CB Subscription Agreement		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement and the Second CB Subscription Agreement (Note 3)		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement and the Second CB Subscription Agreement (Note 4)		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement and the Second CB Subscription Agreement, assuming no conversion restrictions	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Yeung (Note 1)	1,022,921,866	26.31	1,022,921,866	15.01	2,482,070,657	29.99	3,093,623,650	29.99	7,472,921,866	42.87
Mr. Peter Pannu	1,500,000	0.04	1,500,000	0.02	1,500,000	0.02	1,500,000	0.01	1,500,000	0.01
Mr. Cheung Kwai Nang	250,000	0.01	250,000	0.00	250,000	0.00	250,000	0.00	250,000	0.00
Mr. Hui Ho Luek, Vico (resigned as a Director on 1 July 2012) (Note 2)	163,800,000	4.21	163,800,000	2.40	163,800,000	1.98	163,800,000	1.59	163,800,000	0.94
Mr. Liu Xingcheng	453,237,000	11.66	453,237,000	6.65	453,237,000	5.48	453,237,000	4.40	453,237,000	2.60
The Independent Placees	—	—	1,260,000,000	18.49	1,260,000,000	15.23	1,260,000,000	12.22	1,260,000,000	7.23
The Subscriber	—	—	1,666,666,666	24.46	1,666,666,666	20.14	3,093,623,650	29.99	5,833,333,332	33.47
Other public shareholders	2,246,044,534	57.77	2,246,044,534	32.97	2,246,044,534	27.16	2,246,044,534	21.80	2,246,044,534	12.88
<b>Total</b>	<b>3,887,753,400</b>	<b>100.00</b>	<b>6,814,420,066</b>	<b>100.00</b>	<b>8,273,568,857</b>	<b>100.00</b>	<b>10,312,078,834</b>	<b>100.00</b>	<b>17,431,086,732</b>	<b>100.00</b>

### Notes:

- 185,452,800 Shares are held by Mr. Yeung personally and 837,469,066 Shares are held through Great Luck Management Limited, a company wholly-owned by him.
- Mr. Hui Ho Luek, Vico holds 163,800,000 Shares through Premier Rise Investments Limited, a company wholly-owned by him.
- Assuming Mr. Yeung's shareholding pursuant to the conversion rights attaching to the Debt Convertible Bond are exercised to the extent allowed under the terms of the Subscription Agreement. Mr. Yeung is not permitted to convert the Debt Convertible Bond if upon such allotment and issue or conversion he is interested in 29.99% or more of the then issued share capital of the Company.
- Assuming Mr. Yeung's and the Subscriber's shareholdings pursuant to the conversion rights attaching to the Debt Convertible Bond and the Second Convertible Bond, respectively, are exercised to the extent allowed, also taking into account the maintenance of public float requirement and that Mr. Liu Xingcheng and the Independent Placees are public shareholders under this scenario.
- The above shareholding structure assumes there are no other changes in the issued share capital and shareholding in the Company since the Latest Practicable Date.
- Assuming Debt of HK\$193.5 million.

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## LETTER FROM THE BOARD

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### **Implications under the Listing Rules**

Mr. Yeung is a Director and a substantial shareholder of the Company beneficially interested in 1,022,921,866 Shares (representing approximately 26.31% of the issued share capital of the Company) as at the Latest Practicable Date, and is therefore a connected person of the Company. Accordingly, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement would, if they proceed, constitute connected transactions of the Company, which are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Company will at the EGM seek approval for, among other things, the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the proposed increase in authorised share capital. Mr. Yeung and his associates are required to abstain from voting in relation to the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

Other than Mr. Yeung, none of the Directors have a material interest in the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement and none of them abstained from voting on the board resolution in respect of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement and the transactions contemplated thereunder.

Other than Mr. Yeung and his associates, there are no Shareholders who are required to abstain from voting at the EGM in relation to the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the proposed increase in authorised share capital.

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

Amasse Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, set out on pages 49 to 50 of this circular and the advice from Amasse Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 51 to 68 of this circular.

### **Recommendation**

The Directors (other than the independent non-executive Directors who have expressed their views on the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement in this circular after taking into account the advice of Amasse Capital Limited), consider the terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant resolution(s) proposed at the EGM.

The Independent Board Committee, having taken into account the terms of the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the advice of Amasse Capital Limited, considers that the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) proposed at the EGM.

The Directors consider the terms of the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement and the proposed increase in authorised share capital of the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favour of the relevant resolution(s) proposed at the EGM.

### **Additional Information**

The Company is in discussions with an Independent Third Party regarding the sale and purchase of up to a 24.00% equity interest in BCFC. The negotiations are still at an early stage and no formal agreements have been entered into by the Company. A further announcement will be made as and when applicable.

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## LETTER FROM THE BOARD

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Other than the above, each of the Company, the Subscriber and the Directors do not have any present agreement, arrangement, intention or negotiation and/or plan regarding any acquisition or disposal of company or material assets (other than potential transfers of football players in the ordinary course of business of BCFC during relevant transfer windows) and/or to carry out a principal business, other than the business carried on by the Group as at the Latest Practicable Date, within 24 months after the resumption in trading in the Shares.

Those Directors who will be Directors upon resumption of trading in the Shares are expected to continue as Directors following the resumption in trading in the Shares.

Other than the restraint order over Mr. Yeung's assets as disclosed in the sections headed "The First CB Subscription Agreement", "The Second CB Subscription Agreement" and "The Debt Capitalisation Agreement and the Subscription Agreement", there is no trust, agreement, arrangement or understanding entered into by Mr. Yeung over his Shares or which he may have temporarily or permanently passed control over the exercise of the voting rights to such Shares. Mr. Yeung has agreed to resign as a Director on the earlier of the resumption of trading in the Shares and when he is convicted of one or more of the alleged offences under the current court case.

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of EGM.

### **III. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

In order to cater for, among others, the issue of the Placing Shares, the First Conversion Shares, the Debt Conversion Shares and the Second Conversion Shares (as applicable), the Company proposes to increase its authorised share capital from HK\$100,000,000.0 to HK\$500,000,000.0 by the creation of 40,000,000,000 new Shares. As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares, of which 3,887,753,400 Shares had been issued and fully paid or credited as fully paid.

The proposed increase in the authorised share capital is subject to the approval of the Shareholders at the EGM by poll. No Shareholder is required to abstain from voting on the resolution for the increase in the authorised share capital of the Company at the EGM.

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## LETTER FROM THE BOARD

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The Directors have the present intention of issuing part of the authorised share capital pursuant to the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement, the Debt Capitalisation Agreement and the Subscription Agreement subject to, among others, relevant Shareholders and Independent Shareholders approval at the EGM, and assuming that the relevant conversion rights are exercised by the relevant convertible bond holders.

#### **IV. EGM**

A notice convening the EGM is enclosed. At the EGM, amongst others, resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, and the Shareholders to consider and, if thought fit, approve the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement and the proposed increase in authorised share capital of the Company.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. If you are unable to attend the EGM in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon, and to lodge it with the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting 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 meeting and any adjourned meeting (as the case may be) should you so wish.

#### **V. UPDATE ON RESUMPTION OF TRADING**

The benefits and reasons for each of the Placing Agreement, the First CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement, the Second CB Subscription Agreement and the proposed increase in authorised share capital of the Company are set out separately above. The Directors consider the Placing Agreement, the First CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the Second CB Subscription Agreement, and the proposed increase in authorised share capital of the Company to enable the Company to (i) address the liquidity issue and (ii) demonstrate sufficient working capital for at least twelve months from the resumption date, both of which are resumption conditions imposed by the Stock Exchange.

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## LETTER FROM THE BOARD

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Reference is made to the Company's announcement dated 19 August 2013, setting out seven resumption conditions. Further, as set out in the Company's announcement dated 30 December 2013, the Stock Exchange understands that Mr. Yeung has agreed to resign as Director before the resumption of trading in the Shares, and the Stock Exchange has advised the Company that it will allow the resumption of trading in the Shares subject to the Company satisfying the following conditions:

- (a) The completion of the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement; and
- (b) Submission of a statement from the Board confirming working capital sufficiency for at least 12 months after the resumption of trading in the Shares, and a comfort letter from the auditors on the Directors' statement.

In order to satisfy the resumption conditions that have not yet been met, the Company proposes to, prior to the resumption of trading in the Shares, publish announcements in relation to (i) Mr. Yeung's resignation as a Director, (ii) results of the internal control review, (iii) the completion of the Placing Agreement, the First CB Subscription Agreement, the first tranche of the Second CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the proposed increase in authorised share capital and (iv) the assessment by the Company's audit committee on the adequacy of the Company's actions to address the resumption conditions set out by the Stock Exchange in a letter to the Company dated 20 December 2011, and the Company's intention on the proposed disposal of the Company's interest in BCP and/or BCFC.

Subject to, among others, the approval of the subject transactions at the EGM and fulfilment of the outstanding resumption conditions, the Company expects trading of the Shares to resume on or before 15 February 2014.

### GENERAL

**Shareholders and potential investors should note that the entering into of the Placing Agreement, the First CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement and the Second CB Subscription Agreement, and the proposed increase in authorised share capital of the Company, do not necessarily mean that the Shares will resume trading. Resumption of trading in the Shares is subject to the Stock Exchange being satisfied that the Group has fulfilled all resumption conditions as set out in the Company's announcements dated 19 August 2013 and 30 December 2013.**

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## LETTER FROM THE BOARD

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As the Placing Agreement, the First CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement, the Second CB Subscription Agreement and the proposed increase in authorised share capital of the Company are subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent, the Placing Agreement, the First CB Subscription Agreement, the Deed of Novation, the Debt Capitalisation Agreement, the Subscription Agreement, the Second CB Subscription Agreement and the proposed increase in authorised share capital of the Company may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

By Order of the Board

**Peter Pannu**

*Executive Director, Chief Executive Officer and Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

Website: <http://www.irasia.com/listco/hk/birminghamint/index.htm>

*To the Independent Shareholders*

17 January 2014

Dear Sir or Madam,

### **CONNECTED TRANSACTIONS DEED OF NOVATION DEBT CAPITALISATION AGREEMENT AND SUBSCRIPTION AGREEMENT**

#### **INTRODUCTION**

We refer to the circular dated 17 January 2014 and issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

The Independent Board Committee comprising Messrs. Wong Ka Chun, Carson, Gao Shi Kui, Liu Enxue and Li Hanguo has been established to advise you in respect of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, details of which are set out in the Circular. Amasse Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

We wish to draw your attention to the letter from the Board set out on pages 6 to 48 of the Circular, and the letter from Amasse Capital Limited which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, as set out on pages 51 to 68 of the Circular.

Having considered the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, and taken into account the advice of Amasse Capital Limited and the principal factors and reasons considered by Amasse Capital Limited, we consider that the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions proposed at the EGM to approve the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement.

Yours faithfully,  
for and on behalf of  
the Independent Board Committee

**Wong Ka Chun, Carson**  
*Independent non-executive Director*

**Gao Shi Kui**  
*Independent non-executive Director*

**Liu Enxue**  
*Independent non-executive Director*

**Li Hanguo**  
*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, which has been prepared for the purpose of incorporation in this circular.*

# AMASSE CAPITAL

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# 寶 積 資 本

17 January 2014

*To: The Independent Board Committee and  
the Independent Shareholders of Birmingham International Holdings Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTION DEED OF NOVATION, DEBT CAPITALISATION AGREEMENT, AND SUBSCRIPTION AGREEMENT

#### 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 entering into the Deed of Novation, Debt Capitalisation Agreement and Subscription Agreement with Mr. Yeung, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 17 January 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 20 December, 2013 (after trading hours of the Stock Exchange), the Company entered into certain agreements in relation to Mr. Yeung’s Debt, as follows:

#### **The Deed of Novation**

On 20 December 2013, the Company, BCFC and Mr. Yeung entered into the Deed of Novation, pursuant to which Mr. Yeung agrees to and accepts the liabilities of BCFC under the Debt being assumed by the Company. Upon completion of the Deed of Novation,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Company will assume the obligations and liabilities under the Debt, and Mr. Yeung will have no further rights against BCFC under the Debt. As at Latest Practicable Date, the Debt amounted to approximately HK\$192.9 million and as at completion of the Deed of Novation is not expected to be more than HK\$193.5 million.

### **The Debt Capitalisation Agreement and the Subscription Agreement**

On 20 December 2013, the Company and Mr. Yeung entered into the Debt Capitalisation Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond.

Further, on 20 December 2013, the Company and Mr. Yeung entered into the Subscription Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond. The amount as at completion of the Subscription Agreement and the Debt Capitalisation Agreement is not yet ascertained. The amount of Debt as at Latest Practicable Date amounted to approximately HK\$192.9 million, and based on the expected date of completion of the Deed of Novation, the Subscription Agreement and the Debt Capitalisation Agreement, the actual amount of the Debt is expected not to exceed HK\$193.5 million. The conversion price is HK\$0.03 per Debt Conversion Share. The actual principal amount for the Debt Convertible Bond shall be satisfied by setting off against the entire amount of the Debt.

Mr. Yeung is a Director and a substantial shareholder of the Company beneficially interested in 1,022,921,866 Shares (representing approximately 26.31% of the issued share capital of the Company) as at the Latest Practicable Date, and is therefore a connected person of the Company. Accordingly, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement would, if they proceed, constitute connected transactions of the Company, which are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Company will at the EGM seek approval for, among other things, the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement. Mr. Yeung and his associates are required to abstain from voting in relation to the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, 837,469,066 Shares (representing approximately 21.54% of the issued shares) are held by Great Luck Management Limited and 185,452,800 Shares (representing approximately 4.77% of the issued shares) are held by Mr. Yeung. Great Luck Management Limited is ultimately owned by Mr. Yeung. As such, Great Luck Management Limited and Mr. Yeung shall have to abstain from voting at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Yeung and his associates, no other Shareholders have a material interest in the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, and thus no other Shareholders shall have to abstain from voting at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Ka Chun, Carson, Mr. Gao Shi Kui, Mr. Liu Enxue and Mr. Li Hanguo have been established to advise the Independent Shareholders on (i) whether the entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement and the respective transactions contemplated thereunder at the EGM. We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In arriving at our recommendation, we have relied on the statements, information and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have reviewed and discussed with the management of the Company regarding on the terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement; the rationale of entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement; and the financial positions of the Group. Further, we have reviewed certain document in relation to the potential disposal of BCP and/or BCFC. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company to us are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our advice with regard of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

#### **1. Principal Business of the Company**

The Group is principally engaged in professional football operations, apparel sourcing and trading, and entertainment and media services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Financial performance of the Group

The table below summaries the consolidated financial results of the Group for each of the three years ended 30 June 2013:

**Table A — Summary of the consolidated financial results of the Group**

	For the year ended		
	30 June		
	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Turnover	294,497	489,887	781,366
— Professional football operation	294,497	489,887	781,155
— Entertainment & media service	—	—	211
Gross profit	(96,418)	42,280	69,977
Profit/(Loss) before taxation	(125,532)	143,688	(784,602)
Profit/(Loss) after taxation	(120,588)	143,688	(630,819)

For the year ended 30 June 2013, the Group recorded a consolidated turnover of approximately HK\$294 million, representing a decrease of 40% compared to the consolidated turnover of approximately HK\$490 million for the year ended 30 June 2012. Such decrease was mainly due to the significant dwindling of the revenue from Birmingham City Plc due to Birmingham City Football Club being relegated from Premier league to Championship football league. As such, the Group recorded a loss of approximately HK\$121 million for the year ended 30 June 2013, compared to a profit of approximately HK\$144 million for the year ended 30 June 2012. Such decrease was mainly due to the decrease in profit generated from sales of players' registrations as compared to the previous year.

For the year ended 30 June 2012, the Group recorded a consolidated turnover of approximately HK\$490 million, representing a decrease of 37% compared to the consolidated turnover of approximately HK\$781 million in the year ended 30 June 2011. Such decrease was also due to the significant dwindling of the revenue from BCP due to BCFC being relegated from Premier league to Championship football league. The Group's net profit for the year ended 30 June 2012 amounted to approximately HK\$144 million (2011: net loss of approximately HK\$785 million), which was mainly due to the profit generated from sales of players' registrations and the reduction of overall player wages as a result of such disposals.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below shows the consolidated statement of financial position of the Group as at 30 June 2013:

**Table B — Summary of the consolidated statement of financial position of the Group**

	As at 30 June		
	2013	2012	2011
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
<b>Non-Current Assets</b>	302,098	354,399	559,592
<b>Current Assets</b>	162,863	224,737	67,738
<b>Total Assets</b>	464,961	579,136	627,330
<b>Current Liabilities</b>	321,501	294,053	454,143
<i>Net current assets/ (liabilities)</i>	<i>(158,638)</i>	<i>(69,316)</i>	<i>(386,405)</i>
<b>Non-Current Liabilities</b>	242,729	263,449	295,552
<b>Net Assets /(Liabilities)</b>	<b>(99,269)</b>	21,634	<b>(122,365)</b>
 <b>Current ratio (current assets to current liabilities)</b>	 50.66%	 76.43%	 14.92%
<b>Gearing ratio (total liabilities to total assets)</b>	121.35%	96.26%	119.51%

Based on the above financial position of the Group, we observe that:

- (i) Turnover and gross profit have been in a decreasing trend since 2011 attributable principally to the BCFC being relegated from Premier league to Championship football league;
- (ii) Occasional profit is observed which was owing to one-off income from sales of players' registrations;
- (iii) Total assets decreased significantly since 2011;
- (iv) Net liabilities position is observed as at 30 June 2011 and 2013;
- (v) Net current liabilities position over the years stated above; and
- (vi) Current and Gearing ratio are at a worse level.

We are of the opinion that the Company is on the verge of serious financial difficulty if Mr. Yeung was not financially supporting the Group in the previous years.

### 3. Formation of Mr. Yeung's Debt

As various loans were granted by Mr. Yeung to BCFC between the period from 3 November 2009 to 30 September 2010, BCFC is indebted to Mr. Yeung in the aggregate amount of approximately HK\$192.9 million as at Latest Practicable Date. Those loans were utilised by the Group for its acquisition of the BCP and the purchases of players for BCFC.

According to the annual report 2013 of the Group, the amount is unsecured, subject to interest of 5.00% per annum, and has no fixed terms of repayment. Mr. Yeung has undertaken not to demand for repayment of these amounts until the Company and the Group are financially capable to do so. The interest advance is not repayable within twelve months from the end of the reporting period and is therefore considered in substance as a quasi-equity loan to finance the Company and the Group's long-term investments.

### 4. Reasons to enter into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement

According to the Letter from the Board, the Company is in negotiations with third parties regarding a possible disposal of an interest (being less than a controlling interest) in BCP and/or BCFC (the "**Disposal**"). Against the backdrop of Mr. Yeung's ongoing court case in Hong Kong, it has come to the attention of the Board that some potential buyers' interests in BCP and/or BCFC are deterred by the financial links between BCFC and Mr. Yeung. By virtue of novating the Debt from BCFC to the Company, the value of the Company's interest in BCFC to prospective buyers may be increased.

Pursuant to the Deed of Novation, the Company will assume the Debt, which is directly held by BCFC (a company directly wholly-owned by BCP, which is in turn 96.64% owned by the Company). Accordingly, BCP's shareholders other than the Company will be released from their respective share in the Debt. Based on an amount of Debt of approximately HK\$193.5 million, being the maximum amount anticipated to be due as at the proposed date of completion of the Deed of Novation, it is estimated that a consolidated net loss attributable to the Company of approximately HK\$6.5 million, which is an accounting loss without any cashflow impact on the financial position of the Group and represents approximately 3.36% to the amount of the Debt which is considered to be immaterial to have significant financial impact on the Company, will be incurred upon completion of the Deed of Novation. (Please see the section titled "Financial effect of the Deed of Novation"

for further information.) It is the Board's view that adverse effects (i.e. a loss of approximately HK\$6.5 million) due to the assumption of all the Debt by the Company is outweighed by the potential advantages of releasing the corporate value of BCP and/or BCFC after the termination of the financial relationship with Mr. Yeung.

Further, the Debt Capitalisation Agreement and the Subscription Agreement allow for the Debt to be converted into the Debt Convertible Bond. The Board considers this to be beneficial to the Company in that the Debt Convertible Bond bears no interests and to the Company's gearing ratio and for strengthening the financial position of the Group, upon the mandatory conversion of the Debt Convertible Bond into Shares upon maturity.

### **5. Financial impact of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement**

Upon the mandatory conversion of the Debt Convertible Bond into Shares upon maturity, the net asset value of the Group will be improved as the share capital of the Group will be increased. Accordingly, the completion of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement will have a positive impact on the net asset value of the Group in the future. Furthermore, since the conversion price of the Debt Convertible Bond represents a significant premium over the audited net liability value per Share of approximately HK\$0.0255, the net asset value per Share of the Group will then be significantly increased upon the mandatory conversion of the Debt Convertible Bond into Shares upon maturity.

Having considered that:

- (i) the Group had net cash outflow from operating activities for the past three years ended 30 June 2013;
- (ii) the Group recorded 37% decrease in turnover for the year ended 30 June 2012 and 40% decrease in turnover for the year ended 30 June 2013 due to the relegation of the professional football business from the Premier League to Championship football league and the decrease in the revenue generated from BCFC;
- (iii) the Group recorded a loss of approximately HK\$121 million for the year ended 30 June 2013 which was mainly due to the lack of transfer activities of football players during the reporting period in comparison to the disposals of football players in the previous period;

- (iv) the Group's high gearing ratio;
- (v) the Group's net liabilities position as at 30 June 2013;
- (vi) the positive financial impact of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement on the financial position of the Group;
- (vii) by virtue of novating the Debt from BCFC to the Company, the value of the Company's interest in BCFC to prospective buyers may be increased under the backdrop of Mr. Yeung's ongoing court case in Hong Kong; and
- (viii) the long term financial support of the Mr. Yeung to the Group,

we are of the view that the entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

### **6. Principal terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement**

#### ***The Deed of Novation***

On 20 December 2013, the Company, BCFC and Mr. Yeung entered into the Deed of Novation, pursuant to which Mr. Yeung agrees to and accepts the liabilities of BCFC under the Debt being assumed by the Company. Upon completion of the Deed of Novation, the Company will assume the obligations and liabilities under the Debt, and Mr. Yeung will have no further rights against BCFC under the Debt.

#### ***Financial effect of the Deed of Novation***

A loss attributable to the Company is expected upon completion of the Deed of Novation, due to the fact that BCFC, being an indirect non wholly-owned subsidiary of the Company, will be released from its obligations under the Debt owed to Mr. Yeung. Based on an amount of Debt of approximately HK\$193.5 million, being the maximum amount anticipated to be due as at the proposed date of completion of the Deed of Novation, it is estimated that a consolidated net loss attributable to the Company of approximately HK\$6.5 million, representing approximately 3.36% to the amount of the Debt which is considered to be immaterial to have significant financial impact on the Company, will be incurred upon completion of the Deed of Novation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the opinion that the loss is insignificant as compared to the total amount of the Debt.

### *The Debt Capitalisation Agreement and Subscription Agreement*

On 20 December 2013, the Company and Mr. Yeung entered into the Debt Capitalisation Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond.

Further, on 20 December 2013, the Company and Mr. Yeung entered into the Subscription Agreement, pursuant to which the Company agrees to capitalise the Debt owed by the Company to Mr. Yeung, by Mr. Yeung agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, the Debt Convertible Bond. The amount as at completion of the Subscription Agreement and the Debt Capitalisation Agreement is not yet ascertained. The amount of Debt as at Latest Practicable Date amounted to approximately HK\$192.9 million, and based on the expected date of completion of the Deed of Novation, the Subscription Agreement and the Debt Capitalisation Agreement, the actual amount of the Debt is expected not to exceed HK\$193.5 million. The conversion price is HK\$0.03 per Debt Conversion Share. The actual principal amount for the Debt Convertible Bond shall be satisfied by setting off against the entire amount of the Debt.

The terms of the Subscription Agreement, including the conversion price of the Debt Convertible Bond, have been negotiated on an arm's length basis and the principal terms of the Subscription Agreement are summarised below:

Parties to the agreement:	(i) The Company
	(ii) Mr. Yeung
Agreement date:	20 December 2013
Principal amount:	The amount of Debt outstanding upon completion, which is expected to not exceed HK\$193.5 million
Maturity date:	Two years from the date of issue
Interest rate:	Zero

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Conversion price: HK\$0.03 per Debt Conversion Share
- Conversion shares: A maximum of 6,450,000,000 new Shares subject to adjustment provisions, of a par value of HK\$0.01 each to be issued upon conversion of the Debt Convertible Bond, on the basis of the Debt being HK\$193.5 million.
- Conversion period: The period commencing on the date of issue and expiring on the date falling 2 years thereafter. To the extent possible pursuant to the conversion rights, Mr. Yeung must convert the entire Debt Convertible Bond before its maturity date, otherwise it or any part thereof outstanding will automatically be converted into Shares on maturity date. Any part of the Debt Convertible Bond outstanding following its maturity date will lapse and be cancelled.
- Conversion rights: Mr. Yeung may convert the Debt Convertible Bond in whole or in part (in an integral multiple of HK\$500,000.0) of the outstanding principal amount of the Debt Convertible Bond on any business day during the conversion period.

The Company shall not be required to allot and issue Debt Conversion Shares to Mr. Yeung nor shall Mr. Yeung be permitted to convert the Debt Convertible Bond (or parts thereof) if upon such allotment and issue or conversion (as the case may be), Mr. Yeung and parties acting in concert with him shall be interested (whether directly or indirectly) in 30.00% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise.

The conversion rights attaching to the Debt Convertible Bond cannot be exercised if the issue of the Debt Conversion Shares results in the Company being unable to fulfill the maintenance of public float requirement as required under the Listing Rules immediately after issue of the Debt Conversion Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Adjustment provisions: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the First Convertible Bond remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves — if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash, the conversion price shall be adjusted in the case of an issue of Shares other than by way of such scrip dividend by a predetermined formula;
- (iii) capital distribution which shall include distributions in cash or specie — if and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the conversion price falls to be adjusted under sub-paragraph (ii) above, or falls within subparagraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by a predetermined formula;
- (iv) issue of Shares by way of rights — if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent, inter alia, the last 5 dealing days before such event date, per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by a predetermined formula; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) issue of other securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights — if and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by a predetermined formula.

Transferability:	Neither the Debt Convertible Bond nor any part thereof may be transferred without the prior written consent of the Company, except for a transfer to wholly-owned subsidiaries or the holding company (as defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) of the Mr. Yeung.
Security:	None
Ranking of the conversion shares:	Shares issued upon conversion will rank pari passu in all respects among themselves and with other existing Shares outstanding at the date of issue of the Debt Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conversion price*

The conversion price of HK\$0.03 per Debt Conversion Share represents:

- (i) a discount of approximately 80.52% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange as of 29 June 2011, being the last trading day prior to suspension of the trading in the Shares; and
- (ii) a discount of approximately 80.67% to the average closing price of HK\$0.1552 per Share for the last five consecutive trading days up to and including 29 June 2011, being the last trading day prior to suspension of the trading in the Shares.

The conversion price has been determined after arm's length negotiations between the Company and Mr. Yeung, with reference to the Group's existing financial position, current market conditions and the long suspension of the trading in the Shares, the financial support provided by Mr. Yeung to the Group throughout the years and the fact the Mr. Yeung has agreed to take a convertible debt instrument in lieu of cash.

Considering that the conversion price of the Debt Convertible Bonds is the same as the conversion price of the First Convertible Bond and Second Convertible Bond, which will be issued by the Company to the Subscriber, an independent third parties, and that coincidentally, the Subscriber also provide loan financing to the Company previously, we consider that the conversion price of the Debt Convertible Bonds is fair and reasonable given the long term financial support of and amount of such financial support by Mr. Yeung toward the Company.

We also note that the Debt Convertible Bonds is non-transferable, and will be automatically converted into Shares on maturity date, while any part of the Debt Convertible Bond outstanding following its maturity date will lapse and be cancelled. We are of the opinion that such other provisions of the Debt Convertible Bonds is definitely to the best interest of the Company and Shareholders as a whole.

Having considered that

- (i) the loss attributable to the Company upon completion of the Deed of Novation is insignificant;
- (ii) the terms of Subscription Agreement such as auto-conversion and non-transferability, which is in favour to the Company;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the conversion price of the Debt Convertible Bonds is the same as the conversion price of the First Convertible Bond and Second Convertible Bond, which will be issued by the Company to the Subscriber, an independent third parties, given the long term and significant monetary amount of financial support of Mr. Yeung toward the Company; and
- (iv) the principal amount of not exceed HK\$193.5 million for the Debt Convertible Bond shall be satisfied by setting off against the entire amount of the Debt owed by the Company to Mr. Yeung.

We are of the view that the terms of the Deed of Novation, Debt Capitalisation Agreement and Subscription Agreement with Mr. Yeung are in the interests of the Company and the Shareholders as a whole.

### 7. Effect on the shareholding structure of the Company

The effect on the shareholding structure of the Company is set out below:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Placing Agreement and the First CB Subscription Agreement		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement and the Second CB Subscription Agreement (Note 3)		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement and the Second CB Subscription Agreement (Note 4)		Immediately after the completion of the Placing Agreement, the First CB Subscription Agreement, the Second CB Subscription Agreement and the Second CB Subscription Agreement, assuming no conversion restrictions	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Yeung (Note 1)	1,022,921,866	26.31	1,022,921,866	15.01	2,482,070,657	29.99	3,093,623,650	29.99	7,472,921,866	42.87
Mr. Peter Pannu	1,500,000	0.04	1,500,000	0.02	1,500,000	0.02	1,500,000	0.01	1,500,000	0.01
Mr. Cheung Kwai Nang	250,000	0.01	250,000	0.00	250,000	0.00	250,000	0.00	250,000	0.00
Mr. Hui Ho Luek, Vico (resigned on 1 July 2012) (Note 2)	163,800,000	4.21	163,800,000	2.40	163,800,000	1.98	163,800,000	1.59	163,800,000	0.94
Mr. Liu Xingcheng	453,237,000	11.66	453,237,000	6.65	453,237,000	5.48	453,237,000	4.40	453,237,000	2.60
The Independent Places	—	—	1,260,000,000	18.49	1,260,000,000	15.23	1,260,000,000	12.22	1,260,000,000	7.23
The Subscriber	—	—	1,666,666,666	24.46	1,666,666,666	20.14	3,093,623,650	29.99	5,833,333,332	33.47
Other public shareholders	2,246,044,534	57.77	2,246,044,534	32.97	2,246,044,534	27.16	2,246,044,534	21.80	2,246,044,534	12.88
<b>Total</b>	<b>3,887,753,400</b>	<b>100.00</b>	<b>6,814,420,066</b>	<b>100.00</b>	<b>8,273,568,857</b>	<b>100.00</b>	<b>10,312,078,834</b>	<b>100.00</b>	<b>17,431,086,732</b>	<b>100.00</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

1. 185,452,800 Shares are held by Mr. Yeung personally and 837,469,066 Shares are held through Great Luck Management Limited, a company wholly-owned by him.
2. Mr. Hui Ho Luek, Vico holds 163,800,000 Shares through Premier Rise Investments Limited, a company wholly-owned by him.
3. Assuming Mr. Yeung's shareholding pursuant to the conversion rights attaching to the Debt Convertible Bond are exercised to the extent allowed under the terms of the Subscription Agreement. Mr. Yeung is not permitted to convert the Debt Convertible Bond if upon such allotment and issue or conversion he is interested in 29.99% or more of the then issued share capital of the Company.
4. Assuming Mr. Yeung's and the Subscriber's shareholdings pursuant to the conversion rights attaching to the Debt Convertible Bond and the Second Convertible Bond, respectively, are exercised to the extent allowed, also taking into account the maintenance of public float requirement and that Mr. Liu Xingcheng and the Independent Placees are public shareholders under this scenario.
5. The above shareholding structure assumes there are no other changes in the issued share capital and shareholding in the Company since the Latest Practicable Date.
6. Assuming the Debt of HK\$193.5 million.

As shown in the above table, the shareholding in the Company held by the existing public Shareholders will be diluted from approximately 57.77% as at the Latest Practicable Date to approximately 12.88% immediately after the completion of the Placing Agreement, the First CB Subscription Agreement, the Subscription Agreement and the Second CB Subscription Agreement, assuming no conversion restrictions. Notwithstanding the dilution of the existing public Shareholders, having taken into account (i) the need for the Group to preserve its cash resources and alleviate its present/future liabilities so as to improve the overall liquidity and financial stability position in view of the current uncertain business and economic environment; (ii) the conversion price of the Debt Convertible Bond is the same as the conversion price of the First Convertible Bond and Second Convertible Bond which will be issued by the Company to the Subscriber, an independent third parties; (iii) the conversion price of the Debt Convertible Bond represents a significant premium over the audited net liability value per Share of approximately HK\$0.0255, implying that the net asset value per Share of the Group will then be significantly increased upon the mandatory conversion of the Debt Convertible Bond into Shares upon maturity; and (iv) conversion restrictions attaching to the Debt Convertible Bond, this will strengthen the capital base of the Company and enhance the net asset value and gearing of the Group, we are of the view that the dilution to the shareholding of the existing public Shareholders is unavoidable so far as the Independent Shareholders are concerned.

### 8. Alternative fund raising exercises

Based on certain Company's emails and correspondences provided to us, we note that the Company has been actively searching for equity fund raising opportunities in view of the forthcoming capital requirements of the Group, particularly for its professional football operation businesses. However, the Company has been unable to secure any interest from financial institutions to provide immediate equity funding due to the long suspension of the trading in the Shares. Apart from equity financing, the Board has also considered other financing options such as debt financing and bank borrowings to finance the capital requirements of the Group. Having considered the interest expenses which would have imposed additional interest burden to the Group and increased the gearing level of the Group, the Board is of the view that such financing means may not be appropriate to the Group given its current financial position.

Based on the above, we consider that (i) the Deed of Novation, Debt Capitalisation Agreement and Subscription Agreement with Mr. Yeung represent the best available option for the Company to satisfy the Debt owed by the Company to Mr. Yeung in light of the Group's existing financial position, current market conditions and the long suspension of the trading in the Shares; and (ii) the Debt Capitalisation and Subscription Agreement represent the best way to settle the Debt due to Mr. Yeung.

Given the above, although the entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are not in the ordinary and usual course of business of the Company, we are of the opinion that the entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are in the interest of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Deed of Novation, the Debt Capitalisation Agreement and the Subscription Agreement and the respective transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Michael Lam**  
*Managing Director*

**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 Company. 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.

**SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after completion of the Placing Agreement, the First Convertible Bond, the Second Convertible Bond and the Debt Convertible Bond and approval of the increase in authorised share capital, assuming the conversion rights attaching to the First Convertible Bond, the Second Convertible Bond and the Debt Convertible Bond are exercised in full is as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
10,000,000,000 Shares of HK \$0.01 each as at the Latest Practicable Date:	100,000,000.00
<i>Issued as fully paid:</i>	
3,887,753,400 Shares as at the Latest Practicable Date	38,877,534.00
<i>To be issued pursuant to the Placing Agreement:</i>	
1,260,000,000 Placing Shares	12,600,000.00
<i>To be issued pursuant to the First CB Subscription Agreement:</i>	
1,666,666,666 First Conversion Shares	16,666,666.66
<i>To be issued pursuant to the Second CB Subscription Agreement:</i>	
4,166,666,666 Second Conversion Shares	41,666,666.66
<i>To be issued pursuant to the Debt Capitalisation Agreement:</i>	
6,450,000,000 Debt Conversion Shares	64,500,000.00
	<u>174,310,867.32</u>

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital. As at the Latest Practicable Date, no share or loan capital of the Company will be issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the proposed issue of the Subscription Shares.

## DISCLOSURE OF INTERESTS

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

### Long position in the Shares

Name of Director	Number of issued Shares held		Percentage of the issued share capital of the Company
	Personal	Corporate	
Mr. Yeung	185,452,800	837,469,066	26.31%
		(Note)	
Mr. Peter Pannu	1,500,000		0.04%
Mr. Cheung Kwai Nang	250,000		0.01%

*Note:*

Mr. Yeung Ka Sing, Carson held 837,469,066 Shares through Great Luck Management Limited, a company wholly-owned by him.

Save as disclosed above, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.

Save as disclosed above, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

No contract, commitment or agreement of significance in relation to the Company's business, in which any of the Directors had a material interest, subsisted as at the Latest Practicable Date.

None of the Directors had any interest, direct or indirect, in any asset which, since 30 June 2013, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

### **SERVICE AGREEMENTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

**EXPERT**

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Amasse Capital Limited	a corporation licensed in Hong Kong to conduct type 6 regulated activities under the SFO

As at the Latest Practicable Date, Amasse Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Amasse Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/statements/certification/reports/opinion (as the case may be) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Amasse Capital Limited did not have any interest, direct or indirect, in any assets which since 30 June 2013, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, which are or may be material:

- (a) the Placing Agreement;
- (b) the First CB Subscription Agreement;
- (c) the Second CB Subscription Agreement;
- (d) the First Deed of Variation;

- (e) the Second Deed of Variation;
- (f) the Third Deed of Variation;
- (g) the Deed of Novation;
- (h) the Debt Capitalisation Agreement; and
- (i) the Subscription Agreement.

### **COMPETING BUSINESS**

None of the Directors and his/her respective associates has an interest in a business which competes or may compete, either directly or indirectly, with the Company's business.

### **LITIGATION**

No member of the Group is engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

### **WORKING CAPITAL**

Taking into account (i) the internal resources of the Group and (ii) the estimated net proceeds arising from the completion of the Placing Agreement, the First CB Subscription Agreement and the first tranche of the Second CB Subscription Agreement, the Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the expected date of resumption.

In arriving at their conclusion, the Directors have (i) reviewed the cash flow projections of the Group for the period up to 28 February 2015 which have been prepared by the Directors after due and careful enquiry, (ii) taken into account the business prospects, financial resources and fund raising activities of the Group relating to the application for resumption of trading in the Shares.

**MATERIAL ADVERSE CHANGE**

The Directors are not aware, as at the Latest Practicable Date, of any material adverse change in the financial or trading position or prospect of the Group since 30 June 2013, the date to which the latest published audited financial statements of the Group were made up.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal office in Hong Kong at Units 1901 & 1910, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from 9:30 a.m. to 5:00 p.m. during the period commencing from 17 January 2014 up to 5 February 2014 (both dates inclusive):

- (a) the letter from the Board, the text of which is set out on pages 6 to 50 of this circular;
- (b) the memorandum and Articles of Association of the Company;
- (c) the annual reports of the Company for the two financial years ended 30 June 2013;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (e) the written consent referred to in the section headed "Expert" in this appendix;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;
- (g) the letter from Amasse Capital Limited, the text of which is set out on pages 53 to 68 of this circular; and
- (h) this circular.

**MISCELLANEOUS**

- (a) The secretary of the Company is Chow, Hiu Tung Harry (member of ACCA and HKICPA).
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at Units 1901 & 1910, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (c) The Hong Kong branch registrar and transfer office of the Company is Tricor Tengis Limited which is situated at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular will prevail over the Chinese text in the event of inconsistency.

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## NOTICE OF EGM

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

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

**(Stock Code: 2309)**

Website: <http://www.irasia.com/listco/hk/birminghamint/index.htm>

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Birmingham International Holdings Limited (“Company” together with its subsidiaries, the “Group”) will be held at Kowloon Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 5 February 2014 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

### ORDINARY RESOLUTION

1. “**THAT:**

- (i) the placing agreement dated 12 November 2013 (“Placing Agreement”) entered into between the Company and Shenyin Wanguo Capital (H.K.) Limited (“Placing Agent”) in respect of the placing (“Placing”) of a total of 1,260,000,000 new shares of HK\$0.01 each in the share capital of the Company (“Placing Shares”) at a placing price of HK\$0.05 per Placing Share (“Placing Price”) (a copy of the Placing Agreement having been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares, the allotment and issue of the Placing Shares to the placees pursuant to the Placing Agreement be and is hereby approved and the grant of a specific mandate for the Directors to allot and issue the Placing Shares at the Placing Price pursuant to the Placing Agreement be and is hereby approved; and

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- (iii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents where he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Placing Agreement and the transactions contemplated thereunder.”

### 2. “**THAT**

subject to the fulfilment of the terms and conditions set out in the convertible bond subscription agreement dated 12 November 2013, as amended from time to time, (the “First CB Subscription Agreement”) entered into between U-Continent Holdings Limited (the “Subscriber”) as the subscriber and the Company as the issuer (copies of the First CB Subscription Agreement and amendment agreement having been produced to the meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification) in relation to the subscription of the zero coupon convertible bonds (the “First Convertible Bond”) in principal amount of HK\$50 million which can be converted into a maximum of 1,666,666,666 new ordinary shares of par value of HK\$0.01 each in the capital of the Company (the “Shares”) or such number of Shares (as a result of any adjustment to the conversion price) which may fall to be allotted and issued upon exercising the conversion right attaching to the First Convertible Bond (the “First Conversion Shares”) at the conversion price of HK\$0.03 (subject to adjustment) by the Subscriber:

- (i) the creation and issuance of the First Convertible Bond by the Company to the Subscriber in accordance with the terms and conditions of the First CB Subscription Agreement and the terms and conditions of the First Convertible Bond attached to the First CB Subscription Agreement and all transactions thereunder be and are hereby approved, ratified and confirmed;
- (ii) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the First Conversion Shares to be allotted and issued, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the First Conversion Shares to be allotted and issued upon conversion of the First Convertible Bond pursuant to the First CB Subscription Agreement be and is hereby approved; and
- (iii) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and things and execute (under hand or under seal) all such documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of

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and giving effect to the First CB Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the First Convertible Bond, the issuance and allotment of the First Conversion Shares), and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are in the opinion to the Directors, not material to the terms of the First CB Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”

3. **“THAT**

subject to the fulfilment of the terms and conditions set out in the convertible bond subscription agreement dated 12 November 2013, as amended from time to time (the “Second CB Subscription Agreement”) entered into between U-Continent Holdings Limited (the “Subscriber”) as the subscriber and the Company as the issuer (copies of the Second CB Subscription Agreement and amendment agreements having been produced to the meeting and marked “C” and initialled by the chairman of the meeting for the purpose of identification) in relation to the subscription of the zero coupon convertible bond (the “Second Convertible Bond”) in principal amount of HK\$125 million in two tranches which can be converted into a maximum of 4,166,666,666 new ordinary shares of par value of HK\$0.01 each in the capital of the Company (the “Shares”) or such number of Shares (as a result of any adjustment to the conversion price) which may fall to be allotted and issued upon exercising the conversion right attaching to the Second Convertible Bond (the “Second Conversion Shares”) at the conversion price of HK\$0.03 (subject to adjustment) by the Subscriber:

- (i) the creation and issuance of the Second Convertible Bond by the Company to the Subscriber in accordance with the terms and conditions of the Second CB Subscription Agreement and the terms and conditions of the Second Convertible Bond attached to the Second CB Subscription Agreement and all transactions thereunder be and are hereby approved, ratified and confirmed;
- (ii) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Second Conversion Shares to be allotted and issued, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Second Conversion Shares to be allotted and issued upon conversion of the Second Convertible Bond pursuant to the Second CB Subscription Agreement be and is hereby approved; and

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(iii) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and things and execute (under hand or under seal) all such documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Second CB Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Second Convertible Bond, the issuance and allotment of the Second Conversion Shares), and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are in the opinion to the Directors, not material to the terms of the Second CB Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”

4. **“THAT:**

(i) the deed of novation dated 20 December 2013 (the “Deed of Novation”) entered into between the Company, Birmingham City Football Club Plc and Mr. Yeung Ka Sing, Carson (“Mr. Yeung”) (a copy of the Deed of Novation having been produced to the meeting and marked “D” and initialed by the chairman of the meeting for the purpose of identification) in respect of the novation of the entire debt owed by Birmingham City Football Club Plc to Mr. Yeung (being not in excess of HK\$193.5 million) be and is hereby approved, confirmed and ratified; and

(ii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents where he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Deed of Novation and the transactions contemplated thereunder.”

5. **“THAT:**

(i) the debt capitalisation agreement dated 20 December 2013 (the “Debt Capitalisation Agreement”) entered into between the Company and Mr. Yeung Ka Sing, Carson (a copy of the debt capitalisation agreement having been produced to the meeting and marked “E” and initialed by the chairman of the meeting for the purpose of identification) in respect of the capitalisation of the entire debt to be owed by the Company to Mr. Yeung Ka Sing, Carson (being not in excess of HK\$193.5 million), be and is hereby approved, confirmed and ratified; and

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- (ii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things including the issue of the Debt Conversion Shares and execute all such documents where he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Debt Capitalisation Agreement and the transactions contemplated thereunder.”

### 6. “THAT

subject to the fulfilment of the terms and conditions set out in the convertible bond subscription agreement dated 20 December 2013 (the “Subscription Agreement”) entered into between Mr. Yeung Ka Sing Carson (the “Subscriber”) as the subscriber and the Company as the issuer (a copy of the Subscription Agreement having been produced to the meeting and marked “F” and initialled by the chairman of the meeting for the purpose of identification) in relation to the subscription of the zero coupon convertible bond (the “Debt Convertible Bond”) in principal amount being not in excess of HK\$193.5 million which can be converted into a maximum of 6,450,000,000 new ordinary shares of par value of HK\$0.01 each in the capital of the Company (the “Shares”) or such number of Shares (as a result of any adjustment to the conversion price) which may fall to be allotted and issued upon exercising the conversion right attaching to the Debt Convertible Bond (the “Debt Conversion Shares”) at the conversion price of HK\$0.03 (subject to adjustment) by the Subscriber:

- (i) the connected transaction constituted by the entering into of the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the creation and issuance of the Debt Convertible Bond by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement and the terms and conditions of the Debt Convertible Bond attached to the Subscription Agreement and all transactions thereunder be and are hereby approved, ratified and confirmed;
- (iii) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Debt Conversion Shares to be allotted and issued, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Debt Conversion Shares to be allotted and issued upon conversion of the Debt Convertible Bond pursuant to the Subscription Agreement be and is hereby approved; and

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- (iv) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and things and execute (under hand or under seal) all such documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Debt Convertible Bond, the issuance and allotment of the Debt Conversion Shares), and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are in the opinion to the Directors, not material to the terms of the Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”
7. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$100,000,000 to HK\$500,000,000 and the creation of 40,000,000,000 new Shares, such that following such increase, the authorised share capital of the Company will be HK\$500,000,000 divided into 50,000,000,000 Shares and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution no. 7.”

By Order of the Board

**Peter Pannu**

*Executive Director, Chief Executive Officer  
and Managing Director*

Hong Kong, 17 January 2014

*Principal Office:*

Units 1901 & 1910

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

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*Notes:*

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be deposited at the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.