

TARGET

Intelligence Report

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Part Two Of Two

BIRMINGHAM SPORTS HOLDINGS LTD: THE COMPANY EXPLAINS THE DISPOSAL OF THE FOOTBALL CLUB COMPANY FOR \$HK53.5 0 MILLION

The October 9, 2020 Announcement

On or about October 9, 2020, Mr Zhao Wen Qing (趙文清), as Chairman of the Board of Directors of Birmingham Sports Holdings Ltd (伯明翰體育控股有限公司) (Code: 2309, Main Board, The Stock Exchange of Hongkong Ltd), caused to make the following 29-page announcement, headed:

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

‘THE DISPOSAL

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

‘Upon Completion, the Group’s equity interest in BCP will decrease from 96.64% to 75% and the Group’s equity interest in BCSL will decrease

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

'THE VARIED LEASE AGREEMENT

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

'LISTING RULES IMPLICATIONS

'The Sale and Purchase Agreement

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

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

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

'The Varied Lease Agreement

'Following Completion, BCP and BCSL will become connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules by

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

'GENERAL

'As the entire issued share capital of the Purchaser is beneficially owned by Mr. Vong Pech, a substantial Shareholder who is beneficially interested in approximately 25.63% of the issued Shares as at the date of the Sale and Purchase Agreement, Mr. Vong Pech and his associates are required to abstain from voting on the resolution(s) in respect of the Transaction Documents and the respective transactions contemplated thereunder at the EGM.

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

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

'Giraffe Capital Limited (智富融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the respective transactions contemplated thereunder.

'In connection with the EGM, a circular containing, among other things, further details of the Transaction Documents and the respective transactions contemplated thereunder, letters from the Independent Board Committee and the Independent Financial Adviser, the property valuation

report on the Stadium and the Training Pitch, the notice of EGM and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 6 November 2020 as additional time is required to prepare and finalise the information to be included in the circular.'

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