

## Often Partisan Live From Hong Kong: Tuesday 30<sup>th</sup> September 2014

### Headlines

- Carson's appeal could take 3 years to conclude plus a year to sort out any confiscation order
- This could be Pannu's last day [club has since confirmed service agreement not renewed]
- Carson may still exercise control over BIHL and could be trying to hold on to the club
- Reported bids were "nonsense and rumour" and there had been no serious discussions on sale
- HKSE has sanctioned sale of 24% of the club but this would be an unlikely transaction in the normal business world
- BIHL need to establish another business before they can sell the whole club
- Nothing is likely to happen on club sale in the next 6 – 12 months
- Lee Clark's days may be numbered

### Introduction

Daniel Ivery hosted an hour long webinar from Hong Kong this week to promote his book "Haircuts and League Cups: The Rise and Fall of Carson Yeung". He was accompanied by Will Giles, the Hong Kong solicitor who is co-author of the book. Between them they gave views on several matters of interest to Blues fans and then answered questions posted by the audience. Here's a summary of the main points.

### Carson Yeung appeal

Will explained that Carson remains in jail, apparently looking "distressed". Bail has obviously not been granted and there was a "shocking performance" by his legal team at the appeal hearing – they didn't even get the basic application requirements right. So the appeal process is dragging and has no momentum. The original defence lawyers have been stood down and another Hong Kong barrister appointed – they are now waiting on the availability of a high-powered UK lawyer with Hong Kong appeals experience to complete the team.

Later, Will explained that we are still not at half-time in the legal process – it could take 3 years to get to the final court of appeal, and another year to sort out any confiscation order for Carson's BIHL shares if convicted. Will explained in some detail that the original trial was conducted under "draconian laws" where a "lazy prosecution" can succeed and Carson will need to go to the top of the appeal process to get any proper analysis of the case. The book covers aspects of Carson's activities that the prosecution didn't look at, but in Daniel and Will's view should have.

Someone asked who is going to fund the appeal and Will firstly confirmed that Carson has no known income and his shares and property assets had been frozen by Government. His valuable Hong Kong house in the Peak had been subject to a re-possession order but someone unknown had stepped in to re-finance the mortgage deal. The conclusion was that Carson still has friends and is receiving assistance.

The ongoing legal process creates uncertainty surrounding the status of Carson's BIHL shares, including the conversion shares relating to the loan novation. This situation will continue until the legal processes are completed.

## **Peter Pannu**

Daniel said that this could be Pannu's last day – there was a very strong rumour that he would be going following today's BIHL Board meeting. [As we now know the club has confirmed that the service agreement of Peter Pannu will not be renewed]. This could give more freedom for Panos Pavlakis to take decisions over Lee Clark's future as Blues manager – apparently Pavlakis wanted to make a change last season but Pannu had vetoed it.

This lead on to a discussion of political in-fighting within BIHL but neither Will nor Daniel had any explanation as to why Carson had let it go on to the point where BIHL came under investigation by the HKSE (Hong Kong Stock Exchange) regarding audit and the actions of Directors. There were conflicting stories about the Carson-Pannu relationship that Daniel and Will had been unable to get to the bottom of. Some said the relationship was long-standing going back to the 80's whereas others reckoned it was much more recent, possibly involving Pannu helping Carson out with debt.

Will gave some background to Pannu's legal career in Hong Kong. He had obtained his law degree whilst suspended from the police authorities and then practised "low grade" legal aid work – in summary it was "not a stellar career".

Daniel was asked to expand upon what he described as a "vague threat" he had received from Pannu recently. Daniel had sent a conciliatory e-mail to Pannu inviting him to a book launch event where he would receive a signed copy; Daniel also offered to buy him a beer. The reply indicated Pannu could not make the launch event but he did have a copy of the book – there were vague threats about contempt of court, presumably related to the content of the book. Daniel hoped that Pannu would be a "distant bad memory" by the end of the week.

## **Is Carson Yeung continuing to exert influence?**

In Will's view Carson still exercises control over BIHL. He cites the composition of the Board as an indication – more than half are closely linked in some way to Carson. Even in prison Carson has daily access to legal advisors (unlike visits from family and friends which are much more restricted) and Will is "pretty sure" this is how control is being exercised. Later Will remarked it was "strange" how Carson in the past had exerted full control when his shareholding was relatively low, suggesting that there might be "friendly shareholders" amongst the other unknown holders of BIHL stock.

Will also said he thought Carson was desperately trying to hold on to the club – the bids were "nonsense and rumour" and there had been no serious discussions on sale.

## **Reported bids for the club**

Both Daniel and Will were very dismissive of the bids by potential buyers that had been reported. The absence of announcements to the HKSE confirms that none had come close to completion.

Daniel said the Paladini story is very different from what Paladini said in interviews with the press. He was a "timewaster" that Daniel "doesn't take seriously". Even Paladini's own lawyer became "fed-up". The full details are in the book. The Soccer Management Worldwide bid was "dead" or "going nowhere". The Beijing Lianghu Media International bid to buy 12% of the club was

“incredible” – a low value company completed the necessary steps then failed to stump up the cash. There was something “definitely not right” about this deal.

### **Share price**

Will saw no obvious reason for the recent high volumes of share transactions, and the large fall in the BIHL share price, other than existing shareholders “dumping” stock. Based on the current share price BIHL is worth much less than the £32million Carson supposedly wants for the club – the economics don’t work out now.

### **The HKSE listing and club sale**

Will explained that BIHL retaining its HKSE listing was a “massive deal” as this was valued at HK\$300-500million or about £40million, much more than the club. However, because the HKSE had clamped down on shell companies, BIHL could not at present sell 100% of the club as it would become a shell and lose its listing. The HKSE doesn’t like the negative publicity generated through BIHL’s “indiscretions” and is exercising its powers by setting “hoops that have to be jumped through”. A sale of 24% has been sanctioned by the HKSE, but in Will’s view any buyer would need to place enormous trust in the current BIHL management – this would be an unlikely transaction in the normal business world.

Will said that BIHL needed to acquire another business – to “back-in” other assets – before a sale of the club could realistically happen. There was currently no sign of this happening. Will acknowledged the BIHL announcement regarding possible acquisition of a stake in PetroPro, PT, an Indonesian oil and gas products and services company but said that nothing more had been heard of this. [In actual fact it is referred to in the BIHL accounts announcement made shortly after the webinar – but there is no update on progress].

There were a couple of questions about whether the club could be acquired through buying BIHL rather than BIHL selling the club. Will said this route was complicated by the BIHL shareholding arrangements, in particular the way Carson’s loan to the club was dealt with through a novation and conversion shares. Also there were the new convertible bond proposals which are delayed and currently on the back-burner. Any new entity in control of BIHL would face the same problems as Pannu – they would need another business before the club could be separated from BIHL.

In conclusion Daniel said he thought nothing would happen on club sale within the next 6 to 12 months. Will saw nothing happening for 6 months at least. Both Will and Daniel felt this was reflected in the way the club had set itself up in pre-season, reducing the wage bill from £18million to £6million – cutting its cloth to match the cash available, so the club could continue to function. Daniel then talked about how the fans had been alienated and made a plea for this to change.

### **Lee Clark**

Daniel said Lee Clark was often described as having the safest job in football. Not any more in Daniel’s view. Lee Clark has to write regular reports and has regular meetings (presumably with Pavlakis) – Daniel believes the club is laying a paper trail and that change is coming very soon. Pavlakis will be the decision maker once Pannu is gone.

## **Conclusion**

Daniel referred to book launch events in Hong Kong and Birmingham – details are available here: <http://haircutsandleaguecups.co.uk/>

Daniel was hoping for a positive announcement from BIHL following the Board meeting outlining how the company would be managed going forward.

Finally, Daniel wanted a result from the Millwall game, but hoped that this would not just “paper over the cracks”.

Mark Sutton

Blues Trust